MITSUBISHI MATERIALS

Financial Section 2022

MITSUBISHI MATERIALS CORPORATION

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Management's Discussion and Analysis

Overview

Economic and Business Environment

For the fiscal year ended March 31, 2022 (hereinafter referred to as "FY2022"), the global economy continued to recover gradually in China and the U.S. from the economic downturn caused by the global spread of COVID-19, and showed signs of picking up in Europe, Thailand, and Indonesia.

The Japanese economy during the same period, continued to pick up in exports and industrial production, despite the lingering impact of COVID-19.

In the business environment surrounding the Mitsubishi Materials Group (hereinafter referred to as the "Group"), in addition to the steady growth of metal prices, demand for semiconductors and automotive-related products also remained strong. On the other hand, domestic demand for cement declined.

Business Performance Summary

Under such circumstances, the Group has implemented various measures to enhance corporate value, based on Mission and the Group's medium- to long-term goals from FY2031 to FY2051, as well as the Medium-term Management Strategy for FY2021 to FY2023.

Consequently, consolidated net sales for the fiscal year ended March 31, 2022 totaled ¥1,811.7 billion, up by 22.0% year-on-year. Consolidated operating profit increased by 98.4% year-on-year to ¥52.7 billion, and consolidated ordinary profit increased by 70.9% year-on-year to ¥76.0 billion. Also, the Group recorded the extraordinary loss of ¥25.1 billion as losses on business restructuring and the extraordinary income of ¥34.6 billion as gain on sales of investment securities, respectively. As a result, profit attributable to owners of parent totaled ¥45.0 billion (up 84.4% year-on-year).

Financial Position and Liquidity

As of March 31, 2022, total assets increased ¥89.4 billion, or 4.4% from the end of previous period to ¥2,125.0 billion. Total current assets increased ¥199.0 billion, or 19.1% from the end of previous period to ¥1,238.9 billion mainly due to an increase in leased gold bullion. Total non-current assets decreased ¥109.5 billion, or 11.0% from the end of previous period to ¥886.0 billion mainly due to a decrease in investment securities.

Total liabilities increased ¥48.1 billion, or 3.4% from the end of previous period to ¥1,469.2 billion. Total current liabilities increased ¥67.8 billion, or 7.9% from the end of pervious period to ¥926.6 billion mainly due to an increase in deposited gold bullion. Total non-current liabilities decreased ¥19.7 billion, or 3.5% from the end of previous period to ¥542.5 billion mainly due to a decrease in long-term borrowings. The balance of interest-bearing debts, which adds bonds payable and commercial papers to borrowings decreased ¥20.7 billion or 3.3% from the end of previous period to ¥608.7 billion.

Total net assets increased ¥41.3 billion, or 6.7% from the end of previous period and to ¥655.7 billion mainly due to an increase in retained earnings.

As a result, the consolidated shareholder's equity ratio increased from 26.8% at the end of previous period to 27.5%, and net assets per share based on the total number of shares outstanding as at March 31, 2022 increased from ¥4,173.14 at the end of previous period to ¥4,476.52.

Cash Flows

The cash flows during the consolidated fiscal year ended March 31, 2022 and their causes are as follows:

(Cash flows from operating activities)
Net cash provided by operating activities totaled ¥6.8 billion (decreased by ¥71.5 billion from the previous fiscal year) mainly due to an increase in notes and accounts payable-trade and an increase in inventories, despite strong business performance.

(Cash flows from investing activities)
Net cash used in investing activities totaled ¥3.2 billion (decreased by ¥98.5 billion from the previous fiscal year) mainly due to spending on capital expenditure and sales of investment securities, etc.

(Cash flows from financing activities)
Net cash used by financing activities totaled ¥5.0 billion (net cash provided by financing activities for the previous fiscal year was ¥41.5 billion) mainly due to dividend payments.

After factoring in the impact of exchange rate fluctuation, cash and cash equivalents at the end of the current consolidated fiscal year amounted to ¥153.6 billion (increased by ¥6.1 billion from the previous fiscal year end).

Forecast for Fiscal Year 2023

As for the global economy going forward, while the economy is expected to continue picking up as the impact of COVID-19 eases, it also faces the risk of the economic downturn due to influence from the situation in Ukraine, price hikes in raw materials, fluctuations in financial and capital markets, and the re-expansion of COVID-19, among other factors.

Looking ahead, while the Japanese economy is also expected to continue picking up due to economic and social activities move toward normalization, a downturn in the economy is also a concern for the same reasons as in the global economy.

With regard to the business environment surrounding the Group in the future, although solid demand is expected to continue in the automobile and semiconductor industries, the Group expects that rising costs due to energy price hikes and other factors, as well as fluctuations in foreign exchange and metal prices, will affect each business of the Group.

Under these circumstances, for the fiscal year ending March 31, 2023, Consolidated operating performance forecasts predict net sales of ¥1,590.0 billion, operating profit of ¥36.0 billion, ordinary profit of ¥36.0 billion, and profit attributable to owners of parent of ¥20.0 billion on the assumption of average exchange rates of ¥120/USD and ¥135/EUR and a copper price of 448¢/lb.

Overview by Segment

	Billions of yen				Millions of U.S. dollars	
For the year ended March 31, 2022 and 2021	2022		2021		2022	
Advanced Products						
Net sales	¥	485.9	¥	357.1	$	3,970.4
Operating profit		14.7		2.8		120.4
Operating margin		3.0%		0.8%		
Metalworking Solutions Business						
Net sales	¥	132.6	¥	119.3	$	1,083.5
Operating profit		14.1		(1.1)		115.3
Operating margin		10.6%		(1.0%)		
Metals Business						
Net sales	¥	997.1	¥	728.2	$	8,147.5
Operating profit		25.2		18.8		206.4
Operating margin		2.5%		2.6%		
Cement Business						
Net sales	¥	209.8	¥	215.8	$	1,714.4
Operating profit		3.2		6.6		26.6
Operating margin		1.6%		3.1%		
Environment & Energy Business						
Net sales	¥	17.8	¥	26.2	$	146.0
Operating profit		2.2		1.7		18.3
Operating margin		12.5%		6.8%		
Other Businesses						
Net sales	¥	253.6	¥	266.7	$	2,072.4
Operating profit		7.3		8.8		60.1
Operating margin		2.9%		3.3%		
Total						
Net sales	¥	1,811.7	¥	1,485.1	$	14,803.1
Operating profit		52.7		26.5		430.7
Operating margin		2.9%		1.8%		

Note:
U.S. dollar amounts are translated from Japanese yen using the prevailing exchange rate at March 31, 2022, which was ¥122.39 to U.S.$1.

Capital Expenditures

The Group determines capital expenditure allocations by carefully selecting projects in areas where future earnings and growth are expected while striving to reduce interest-bearing debt.

The total capital expenditure for FY2022 was ¥81.4 billion, as a result of maintenance and repair work on existing facilities in each business, as well as the expansion and rationalization of production facilities. Capital expenditures for each business segment for FY2022 are as follows:

Advanced Products

In addition to maintenance and repair work on existing facilities in this business as a whole, the Group carried out work, etc. to strengthen the production facilities mainly in the Copper alloy products business. Capital expenditures in this business segment amounted to ¥20.6 billion.

Metalworking Solutions Business

The Group carried out facility expansion and rationalization work to respond to the increased production in this business as a whole, as well as maintenance and repair work at existing facilities. Capital expenditures in this business segment amounted to ¥9.1 billion.

Metals Business

The Group carried out maintenance and repair work in this business as a whole. Capital expenditures in this business segment amounted to ¥15.3 billion.

Cement Business

At the Kyushu Plant (Kanda area), the Company installed bag filters for kiln exhaust gas treatment facilities and recycled oil receiving and feeding facilities. In addition, at the Kyushu Plant (Kurosaki area), the Company installed a CO_2 separation and recovery test facility and a methanation test facility for demonstration research on CO_2 reduction. Additionally, the Group carried out maintenance and repair work at existing facilities mainly in Japan and the U.S. Capital expenditures in this business segment amounted to ¥18.5 billion.

Environment & Energy Business

In the Environment & Energy Business, in addition to the construction of a new Komatagawa Hydroelectric Power Plant, the Company conducted maintenance and repair work on existing facilities. Capital expenditures in this business segment amounted to ¥3.7 billion.

Other Businesses

The Group carried out maintenance and repair work at existing facilities. Capital expenditures in the Other Businesses segment amounted to ¥13.9 billion.

Basis of Presenting Consolidated Financial Statements

- This is an English translation of “consolidated financial statements and notes” among “Part 5. Financial Information in Annual Securities Report for the consolidated financial year ended March 31, 2022”.
- Appended to the back of this document is English translations of the Independent Auditor’s Report on the Consolidated Financial Statements and Internal Control Over Financial Reporting that were attached to the Annual Securities Report.
- Mitsubishi Materials Corporation (hereinafter referred to as the “Company”) is a corporation domiciled in Japan. The accompanying consolidated financial statements are composed of the Company and its consolidated subsidiaries (hereinafter referred to as the “Group”). The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”). Japanese GAAP are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards (“IFRS”).
- The translations of the Japanese yen amount into U.S. dollars are included solely for the convenience of readers outside of Japan, using the prevailing exchange rate on March 31, 2022, which was ¥122.39 to U.S.$1. The convenience translation should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange. Fractions less than one million yen (one tenth yen in respect to per share amount) are omitted. As a result, the total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes to the consolidated financial statements do not necessarily agree with the sum of the individual amounts.
- The number of each note is added for the visibility.

Consolidated Balance Sheets

Mitsubishi Materials Corporation and Consolidated Subsidiaries
As of March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Assets			
Current assets:			
Cash and deposits	¥ (*7) 159,221	¥ (*7) 153,086	$ 1,300,934
Notes receivable – trade	30,302	29,788	247,587
Accounts receivable – trade	(*7) 219,543	(*7) 190,733	1,793,805
Merchandise and finished goods	(*7) 133,600	(*7) 117,498	1,091,593
Work in process	(*7) 159,508	(*7) 126,357	1,303,281
Raw materials and supplies	(*7) 161,487	(*7) 136,019	1,319,447
Leased gold bullion	(*9) 195,379	(*9) 156,254	1,596,366
Other	182,280	133,258	1,489,343
Allowance for doubtful accounts	(2,390)	(3,103)	(19,534)
Total current assets	1,238,932	1,039,894	10,122,827
Non-current assets:			
Property, plant and equipment:			
Buildings and structures, net	148,092	158,343	1,210,004
Machinery, equipment and vehicles, net	224,798	241,391	1,836,740
Land, net	(*8) 194,039	(*8) 209,707	1,585,422
Construction in progress	40,020	33,864	326,992
Other, net	22,248	22,093	181,780
Total property, plant and equipment, net	(*1), (*3), (*7) 629,199	(*1), (*3), (*7) 665,402	5,140,940
Intangible assets:			
Goodwill	29,371	31,670	239,986
Other	19,184	14,760	156,751
Total intangible assets	48,556	46,431	396,738
Investments and other assets:			
Investment securities	(*2), (*7) 165,232	(*2), (*7) 217,477	1,350,045
Retirement benefit asset	8,097	4,934	66,165
Deferred tax assets	12,618	14,801	103,103
Other	(*2) 26,862	(*2) 50,996	219,483
Allowance for doubtful accounts	(4,468)	(4,392)	(36,507)
Total investments and other assets	208,343	283,818	1,702,290
Total non-current assets	886,099	995,651	7,239,969
Total assets	¥ 2,125,032	¥ 2,035,546	$ 17,362,796

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Liabilities			
Current Liabilities:			
Notes and accounts payable – trade	¥ (*7) 158,534	¥ (*7) 153,603	$ 1,295,321
Short-term borrowings	(*7) 171,304	(*7) 175,686	1,399,659
Current portion of bonds payable	10,000	20,000	81,706
Commercial papers	30,000	40,000	245,118
Income taxes payable	12,523	6,781	102,324
Provision for bonuses	11,831	12,852	96,670
Provision for loss on disposal of inventories	1,024	756	8,371
Provision for product compensation	58	578	476
Deposited gold bullion	(*9) 392,364	(*9) 323,505	3,205,851
Other	139,052	125,072	1,136,143
Total current liabilities	926,693	858,838	7,571,643
Non-current liabilities:			
Bonds payable	70,000	40,000	571,942
Long-term borrowings	(*7) 327,405	(*7) 353,795	2,675,101
Deferred tax liabilities	31,163	36,162	254,624
Deferred tax liabilities for land revaluation	(*8) 20,093	(*8) 21,094	164,179
Provision for loss on business of subsidiaries and affiliates	882	2,525	7,206
Provision for environmental measures	18,762	26,555	153,300
Provision for directors' retirement benefits	811	1,677	6,631
Provision for share based compensation plan	443	220	3,622
Retirement benefit liability	35,228	42,249	287,841
Other	37,795	38,033	308,810
Total non-current liabilities	542,586	562,313	4,433,259
Total liabilities	1,469,280	1,421,151	12,004,902
Net assets			
Shareholders' equity:			
Share capital	119,457	119,457	976,043
Capital surplus	79,407	79,439	648,807
Retained earnings	328,864	294,814	2,687,022
Treasury shares	(2,892)	(2,868)	(23,636)
Total shareholders' equity	524,837	490,843	4,288,237
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	26,110	42,940	213,336
Deferred gains or losses on hedges	(5,328)	(1,119)	(43,540)
Revaluation reserve for land	(*8) 26,369	(*8) 27,097	215,455
Foreign currency translation adjustment	18,832	(8,057)	153,875
Remeasurements of defined benefit plans	(6,003)	(6,470)	(49,055)
Total accumulated other comprehensive income	59,979	54,390	490,072
Non-controlling interests	70,935	69,161	579,584
Total net assets	655,752	614,394	5,357,893
Total liabilities and net assets	¥ 2,125,032	¥ 2,035,546	$ 17,362,796

Consolidated Statements of Profit or Loss

Mitsubishi Materials Corporation and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net sales	¥ (*1)1,811,759	¥ 1,485,121	$ 14,803,164
Cost of sales	(*2), (*3)1,602,958	(*2), (*3)1,312,771	13,097,133
Gross profit	208,801	172,349	1,706,030
Selling, general and administrative expenses	(*4), (*5) 156,092	(*4), (*5) 145,781	1,275,371
Operating profit	52,708	26,567	430,659
Non-operating income:			
Interest income	564	843	4,609
Dividend income	25,312	17,585	206,816
Share of profit of entities accounted for using equity method	5,078	4,692	41,498
Rental income from non-current assets	4,947	4,895	40,424
Other	7,057	10,260	57,667
Total non-operating income	42,960	38,278	351,016
Non-operating expenses:			
Interest expenses	5,498	4,416	44,922
Expense for the maintenance and management of abandoned mines	4,051	3,782	33,107
Rental expenses on non-current assets	3,156	3,134	25,791
Loss on retirement of non-current assets	2,670	2,674	21,823
Other	4,211	6,309	34,406
Total non-operating expenses	19,588	20,318	160,051
Ordinary profit	76,080	44,527	621,624
Extraordinary income:			
Gain on sales of investment securities	34,671	28,066	283,284
Other	3,938	810	32,181
Total extraordinary income	38,609	28,876	315,466
Extraordinary losses:			
Loss on business restructuring	(*7) 25,116	(*7) 22,370	205,213
Loss on sales of investment securities	5,223	1,968	42,675
Impairment loss	(*6) 3,886	(*6) 3,532	31,758
Other	3,848	2,191	31,443
Total extraordinary losses	38,074	30,063	311,091
Profit before income taxes	76,616	43,341	625,999
Income taxes – current	22,151	13,944	180,988
Income taxes – deferred	1,850	(1,379)	15,116
Total income taxes	24,001	12,564	196,104
Profit	52,614	30,777	429,894
Profit attributable to non-controlling interests	7,599	6,369	62,093
Profit attributable to owners of parent	¥ 45,015	¥ 24,407	$ 367,801

Consolidated Statements of Comprehensive Income

Mitsubishi Materials Corporation and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Profit	¥ 52,614	¥ 30,777	$ 429,894
Other comprehensive income:			
Valuation difference on available-for-sale securities	(16,872)	19,613	(137,858)
Deferred gains or losses on hedges	(1,000)	(2,843)	(8,176)
Foreign currency translation adjustment	27,558	5,758	225,167
Remeasurements of defined benefit plans	848	10,369	6,931
Share of other comprehensive income of entities accounted for using equity method	70	1,152	572
Total other comprehensive income	(*) 10,603	(*) 34,050	86,637
Comprehensive income	¥ 63,218	¥ 64,827	$ 516,531
(Break down)			
Comprehensive income attributable to:			
Owners of parent	49,666	57,567	405,807
Non-controlling interests	13,551	7,259	110,724

Consolidated Statements of Changes in Net Assets

Mitsubishi Materials Corporation and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2020	¥ 119,457	¥ 92,393	¥ 274,723	¥ (2,157)	¥ 484,416
Cumulative effects of changes in accounting policies					—
Restated balance	119,457	92,393	274,723	(2,157)	484,416
Changes during period:					
Cash dividends			(5,237)		(5,237)
Profit attributable to owners of parent			24,407		24,407
Reversal of revaluation reserve for land			962		962
Increase due to change in accounting period of consolidated subsidiaries					—
Decrease due to increase in the number of consolidated subsidiaries			(41)		(41)
Decrease due to decrease in the number of consolidated subsidiaries					—
Purchase of treasury shares				(713)	(713)
Disposal of treasury shares		(1)		3	2
Changes in ownership interest of parent due to transaction with non-controlling interests		(12,952)			(12,952)
Net changes in items other than shareholders' equity					
Total changes during period	—	(12,954)	20,090	(710)	6,426
Balance as of March 31, 2021	¥ 119,457	¥ 79,439	¥ 294,814	¥ (2,868)	¥ 490,843
Cumulative effects of changes in accounting policies			(38)		(38)
Restated balance	119,457	79,439	294,775	(2,868)	490,804
Changes during period:					
Cash dividends			(11,783)		(11,783)
Profit attributable to owners of parent			45,015		45,015
Reversal of revaluation reserve for land			75		75
Increase due to change in accounting period of consolidated subsidiaries			855		855
Decrease due to increase in the number of consolidated subsidiaries					—
Decrease due to decrease in the number of consolidated subsidiaries			(73)		(73)
Purchase of treasury shares				(28)	(28)
Disposal of treasury shares		(1)		4	2
Changes in ownership interest of parent due to transaction with non-controlling interests		(30)			(30)
Net changes in items other than shareholders' equity					
Total changes during period	—	(31)	34,089	(24)	34,032
Balance as of March 31, 2022	¥ 119,457	¥ 79,407	¥ 328,864	¥ (2,892)	¥ 524,837

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of March 31, 2020	¥ 22,806	¥ 708	¥ 28,059	¥ (12,212)	¥ (16,997)	¥ 22,364	¥ 79,252	¥ 586,034
Cumulative effects of changes in accounting policies								—
Restated balance	22,806	708	28,059	(12,212)	(16,997)	22,364	79,252	586,034
Changes during period:								
Cash dividends								(5,237)
Profit attributable to owners of parent								24,407
Reversal of revaluation reserve for land								962
Increase due to change in accounting period of consolidated subsidiaries								—
Decrease due to increase in the number of consolidated subsidiaries								(41)
Decrease due to decrease in the number of consolidated subsidiaries								—
Purchase of treasury shares								(713)
Disposal of treasury shares								2
Changes in ownership interest of parent due to transaction with non-controlling interests								(12,952)
Net changes in items other than shareholders' equity	20,133	(1,827)	(962)	4,155	10,526	32,025	(10,091)	21,934
Total changes during period	20,133	(1,827)	(962)	4,155	10,526	32,025	(10,091)	28,360
Balance as of March 31, 2021	¥ 42,940	¥ (1,119)	¥ 27,097	¥ (8,057)	¥ (6,470)	¥ 54,390	¥ 69,161	¥ 614,394
Cumulative effects of changes in accounting policies								(38)
Restated balance	42,940	(1,119)	27,097	(8,057)	(6,470)	54,390	69,161	614,356
Changes during period:								
Cash dividends								(11,783)
Profit attributable to owners of parent								45,015
Reversal of revaluation reserve for land								75
Increase due to change in accounting period of consolidated subsidiaries								855
Decrease due to increase in the number of consolidated subsidiaries								—
Decrease due to decrease in the number of consolidated subsidiaries								(73)
Purchase of treasury shares								(28)
Disposal of treasury shares								2
Changes in ownership interest of parent due to transaction with non-controlling interests								(30)
Net changes in items other than shareholders' equity	(16,829)	(4,209)	(727)	26,890	467	5,589	1,773	7,363
Total changes during period	(16,829)	(4,209)	(727)	26,890	467	5,589	1,773	41,396
Balance as of March 31, 2022	¥ 26,110	¥ (5,328)	¥ 26,369	¥ 18,832	¥ (6,003)	¥ 59,979	¥ 70,935	¥ 655,752

	Thousands of U.S. dollars				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2021	$ 976,043	$ 649,066	$ 2,408,809	$ (23,433)	$ 4,010,484
Cumulative effects of changes in accounting policies			(316)		(316)
Restated balance	976,043	649,066	2,408,492	(23,433)	4,010,167
Changes during period:					
Cash dividends			(96,277)		(96,277)
Profit attributable to owners of parent			367,801		367,801
Reversal of revaluation reserve for land			619		619
Increase due to change in accounting period of consolidated subsidiaries			6,989		6,989
Decrease due to increase in the number of consolidated subsidiaries					—
Decrease due to decrease in the number of consolidated subsidiaries			(602)		(602)
Purchase of treasury shares				(236)	(236)
Disposal of treasury shares		(12)		33	21
Changes in ownership interest of parent due to transaction with non-controlling interests		(245)			(245)
Net changes in items other than shareholders' equity					
Total changes during period	—	(258)	278,530	(202)	278,069
Balance as of March 31, 2022	$ 976,043	$ 648,807	$ 2,687,022	$ (23,636)	$ 4,288,237

	Thousands of U.S. dollars							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of March 31, 2021	$ 350,847	$ (9,144)	$ 221,402	$ (65,832)	$ (52,871)	$ 444,401	$ 565,090	$ 5,019,976
Cumulative effects of changes in accounting policies								(316)
Restated balance	350,847	(9,144)	221,402	(65,832)	(52,871)	444,401	565,090	5,019,659
Changes during period:								
Cash dividends								(96,277)
Profit attributable to owners of parent								367,801
Reversal of revaluation reserve for land								619
Increase due to change in accounting period of consolidated subsidiaries								6,989
Decrease due to increase in the number of consolidated subsidiaries								—
Decrease due to decrease in the number of consolidated subsidiaries								(602)
Purchase of treasury shares								(236)
Disposal of treasury shares								21
Changes in ownership interest of parent due to transaction with non-controlling interests								(245)
Net changes in items other than shareholders' equity	(137,510)	(34,395)	(5,946)	219,708	3,815	45,670	14,493	60,164
Total changes during period	(137,510)	(34,395)	(5,946)	219,708	3,815	45,670	14,493	338,233
Balance as of March 31, 2022	$ 213,336	$ (43,540)	$ 215,455	$ 153,875	$ (49,055)	$ 490,072	$ 579,584	$ 5,357,893

Consolidated Statements of Cash Flows

Mitsubishi Materials Corporation and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash flows from operating activities:			
Profit before income taxes	¥ 76,616	¥ 43,341	$ 625,999
Depreciation	63,536	61,962	519,129
Amortization of goodwill	4,553	4,374	37,208
Increase (decrease) in allowance for doubtful accounts	(666)	857	(5,449)
Increase (decrease) in provision for loss on business of subsidiaries and affiliates	(1,643)	(1,489)	(13,424)
Increase (decrease) in provision for product compensation	(520)	(623)	(4,249)
Increase (decrease) in provision for environmental measures	(7,792)	(6,026)	(63,671)
Increase (decrease) in retirement benefit liability and provision for directors' retirement benefits	(322)	(777)	(2,637)
Interest and dividend income	(25,876)	(18,429)	(211,426)
Interest expenses	5,498	4,416	44,922
Share of loss (profit) of entities accounted for using equity method	(5,078)	(4,692)	(41,498)
Loss (gain) on sales of property, plant and equipment	(315)	(235)	(2,575)
Loss on retirement of non-current assets	2,670	2,674	21,823
Impairment loss	3,886	3,532	31,758
Loss on business restructuring	25,116	22,370	205,213
Loss (gain) on sales of investment securities	(29,448)	(26,097)	(240,609)
Loss (gain) on valuation of investment securities	369	321	3,016
Decrease (increase) in notes and accounts receivable – trade	(65,276)	(7,483)	(533,345)
Decrease (increase) in inventories	(93,557)	(28,007)	(764,423)
Proceeds from sales of gold bullion	106,506	106,419	870,221
Payment for purchase of gold bullion	(106,432)	(106,176)	(869,614)
Decrease (increase) in other current assets	(4,691)	(5,960)	(38,328)
Increase (decrease) in notes and accounts payable – trade	30,905	38,918	252,519
Increase (decrease) in accrued expenses	4,921	6,316	40,213
Increase (decrease) in other current liabilities	5,020	1,972	41,022
Increase (decrease) in other non-current liabilities	(1,606)	(288)	(13,122)
Other, net	13,791	(3,134)	112,683
Sub-total	166	88,055	1,356
Interest and dividend received	28,723	20,399	234,684
Interest paid	(5,648)	(4,413)	(46,155)
Income taxes (paid) refund	(16,350)	(15,175)	(133,595)
Payment for Loss on the Antimonopoly Act	—	(10,423)	—
Net cash provided by (used in) operating activities	6,889	78,442	56,289
Cash flows from investing activities:			
Payment for purchase of property, plant and equipment	(71,461)	(76,825)	(583,881)
Proceeds from sales of property, plant and equipment	2,574	1,127	21,038
Payment for purchase of intangible assets	(6,701)	(1,902)	(54,753)
Payment for purchase of securities and investment securities	(4,761)	(40,889)	(38,903)
Proceeds from sales of investment securities	58,935	65,731	481,535
Payment for purchase of subsidiaries' shares	(807)	(1,158)	(6,597)
Payment for sales of subsidiaries' shares resulting in change in scope of consolidation	—	(44,795)	—
Proceeds from sales of subsidiaries' shares resulting in change in scope of consolidation	(*2) 8,838	161	72,214
Proceeds from transfer of businesses	6	583	55
Payment for loans	(5,322)	(3,865)	(43,490)
Proceeds from collection of loans	14,600	524	119,293
Other, net	887	(453)	7,254
Net cash provided by (used in) investing activities	(3,210)	(101,763)	(26,234)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(4,628)	(3,828)	(37,820)
Proceeds from long-term borrowings	79,451	139,184	649,163
Repayment of long-term borrowings	(69,423)	(45,084)	(567,235)
Proceeds from issuance of bonds	40,000	—	326,824
Payment for Redemption of bonds	(20,000)	—	(163,412)
Net increase (decrease) in commercial papers	(10,000)	(10,000)	(81,706)
Payment for purchase of treasury shares	(28)	(714)	(236)
Cash dividends paid	(11,783)	(5,237)	(96,277)
Cash dividends paid to non-controlling interests	(6,355)	(5,611)	(51,930)
Payment for purchase of subsidiaries' shares not resulting in change in scope of consolidation	—	(24,925)	—
Other, net	(2,286)	(2,267)	(18,678)
Net cash provided by (used in) financing activities	(5,055)	41,514	(41,308)
Effect of exchange rate changes on cash and cash equivalents	9,471	1,010	77,386
Net increase (decrease) in cash and cash equivalents	8,094	19,203	66,132
Cash and cash equivalents at beginning of period	147,533	127,284	1,205,437
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(1,367)	1,045	(11,177)
Increase (decrease) in cash and cash equivalents resulting from change in accounting period of consolidated subsidiaries	(618)	—	(5,053)
Cash and cash equivalents at end of period	¥ (*1) 153,640	¥ (*1) 147,533	$ 1,255,339

Notes to Consolidated Financial Statements

Mitsubishi Materials Corporation and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

Note 1 Basis of Preparation of Consolidated Financial Statements

1. Scope of consolidations
(1) Number of consolidated subsidiaries: 126
Major subsidiaries are omitted because they are disclosed in "Part1. Overview of the company 4. Overview of Subsidiaries and Affiliates" in Annual Securities Report.
[This part is not direct translations of "Part 5. Financial Information in Annual Securities Report".
The names of major subsidiaries are as follows:
PT. Smelting, Luvata Oy, MCC Development Corp., Onahama Smelting & Refining Co., Ltd., Mitsubishi Cement Corp., Materials' Finance Co., Ltd., Mitsubishi Cable Industries, Ltd., MOLDINO Tool Engineering, Ltd., Mitsubishi Materials Techno Corp., Mitsubishi Materials Trading Corp., Robertson's Ready Mix, Ltd.]

PT. Smelting Management Gresik and one other company are included in the scope of consolidation from the current consolidated fiscal year. On the other hand, Hachimantai Geothermal Co., Ltd has been merged with Hachimantai Green Energy Co., Ltd. (former AKITA HATSUDEN Co., Ltd.), which is the surviving entity. Also, Accurate Wire Inc. has been merged with Luvata Waterbury, Inc., which is the surviving entity. Furthermore, Mitsubishi Aluminum Co., Ltd. (subsequently renamed MMA Co., Ltd.) has got less significant due to business succession and Mitsubishi Aluminum Co., Ltd. transferred the business of MA Packaging Co., Ltd. and five other companies. Moreover, the Company sold its entire equity interest in Universal Can Corp. and five other companies and the Group sold its some of equity interests in Dia Consultants Co., Ltd. Therefore, they are all excluded from the scope of consolidation.

(2) Name of major non-consolidated subsidiaries
Major non-consolidated subsidiary
Appi Geothermal Energy Corp.

Reason for exclusion from the scope of consolidation
All non-consolidated subsidiaries are small companies, and their total assets, net sales, profit or loss (amount equivalent to equity interest) and retained earnings (amount equivalent to equity interest) do not have a significant effect on the consolidated financial statements. Therefore, these companies are excluded from the scope of consolidation.

2. Equity method
(1) Number of non-consolidated subsidiaries accounted for using the equity method: 0
(2) Number of affiliates accounted for using the equity method: 17
Major affiliates are omitted because they are disclosed in "Part1. Overview of the company 4. Overview of Subsidiaries and Affiliates" in Annual Securities Report from the viewpoint of significance.
[This part is not direct translations of "Part 5. Financial Information in Annual Securities Report".
The names of major affiliates accounted for using the equity method are as follows:
Ube-Mitsubishi Cement Corp., NM Cement Co., Ltd., LM Sun Power Co., Ltd., P.S. Mitsubishi Construction Co., Ltd., Yuzawa Geothermal Power Corp., Green Cycle Corp., Mantoverde S.A.]

From the current consolidated fiscal year, C Integration Arrangement, Ltd., which has been changed its name to Mitsubishi UBE Cement Corp. as of January 1, 2022, is included in the scope of equity-method affiliates. In addition, the Company sold it's entire equity interest in Kobelco & Materials Copper Tube, Ltd. Furthermore, Mitsubishi Aluminum Co., Ltd. transferred the business of Muang-Max (Thailand) Co., Ltd. due to business succession. Also, Copper Mountain Mine Limited Partnership completed its liquidation. Therefore, they are excluded from the scope of equity-method affiliates.

(3) Name of major non-consolidated subsidiaries and affiliates to which equity method is not applied
Onahama Yoshino Gypsum Co., Ltd.

Reason for not applying the equity method
The non-consolidated subsidiaries and affiliates to which the equity method is not applied are excluded from the scope of application of the equity method because their effects on profit or loss and retained earnings are not material and are not significant in total.

(4) Special notes on procedures for applying the equity method
For the companies accounted for using the equity method that have different closing dates, the financial statements for the fiscal year of the corresponding companies are used.

3. Matters concerning the fiscal year of consolidated subsidiaries
There are 2 consolidated subsidiaries whose closing dates are different from the consolidated closing date. When preparing the consolidated financial statements, necessary adjustments are made for consolidation regarding important transactions that occurred between their closing dates and the consolidated closing date.
The applicable major consolidated subsidiaries are as follows:
Closing date: December 31
MM Copper Corp., Mitsubishi Materials Chile SpA

Previously, for Luvata Oy and 13 other consolidated subsidiaries whose fiscal year were end on December 31, financial statements as of that date were used and necessary adjustments were made for consolidation purposes with respect to significant transactions that occurred between that date and the consolidated balance sheet date. Effective from the current consolidated fiscal year, these subsidiaries have changed the fiscal year end to March 31. As a result of these changes, the consolidated financial statements for the current consolidated fiscal year cover the 12-month period from April 1, 2021 to March 31, 2022. Profit and loss for the three-month period from January 1, 2021 to March 31, 2021 are included directly in retained earnings.

4. Significant accounting policies
(1) Valuation policies and method for significant assets
(a) Securities
(i) Shares of subsidiaries and affiliates
Shares of subsidiaries and affiliates are stated at cost by the moving average method (excluding shares of affiliates to which the equity method is applied)
(ii) Available-for-sale securities
•Shares, etc. other than those with no market price
Market value method (Valuation differences are included directly in net assets, and the cost of securities sold is determined by the moving average method)
•Shares, etc. with no market price
Stated at cost based on the moving average method.

(b) Inventories
Inventories are stated primally at cost method (write-down of carrying amount due to declines in profitability). Nonferrous metals are stated primarily at the first-in, first-out (FIFO) method. Other inventories are primarily stated at the average cost method.

(c) Derivative transactions
Derivative financial instruments are stated at fair value.

(2) Method of depreciation and amortization for significant depreciable and amortizable assets
(a) Property, plant and equipment (excluding leased assets and right-of-use assets)
The straight-line method is adopted, provided that the mineshafts in structures and quarries in land are depreciated by the unit-of-production method.

(b) Intangible assets (excluding leased assets)
The straight-line method is adopted, provided that mining rights are amortized by the unit-of-production method.

(c) Leased assets (finance lease assets that do not transfer ownership)
The straight-line method is adopted with the lease period as the useful life and a residual value of zero.

(d) Right-of-use assets
The straight-line method is adopted with the shorter of either the lease period or the useful life of the assets, and a residual value of zero.

(3) Standards for recording significant provision
(a) Allowance for doubtful accounts
In order to prepare for losses on receivables, estimated irrecoverable amounts are provided based on the past rate of actual losses on collection for general accounts receivable and based on individual collectability for specific accounts receivable including doubtful accounts receivable.

(b) Provision for bonuses
Provision for bonuses is provided for future payments of bonuses to employees based on the amount to be attributed to the current consolidated fiscal year.

(c) Provision for loss on disposal of inventories
Provision for loss on disposal of inventories is provided for future loss on disposal of inventories based on the estimated amount of loss.

(d) Provision for product compensation
Reasonably estimated amount is provided as a future compensation cost for customers with respect to the Group's products.

(e) Provision for loss on business of subsidiaries and affiliates
In order to prepare for loss on business of subsidiaries and affiliates, provisions are given on estimated losses that the Company and its consolidated subsidiaries will have to pay beyond equity investments and loan receivable made by the Company and its subsidiaries.

(f) Provision for environmental measures
Estimated costs related to the implementation of stabilization countermeasures and disaster prevention countermeasures for large-scale storage space in accordance with the Amendment to the Technical Guidelines for the Mine Safety Act and construction costs related to the implementation of drastic countermeasure work to prevent mining-induced pollution to deal with recent change of natural environments including the prevention of discharging untreated sewage, mainly through the reinforcement of water treatment capacities, are provided with respect to the abandoned mines managed by the Group. In addition, the amount of future payments related to loss on waste disposal is provided based on estimation.

(g) Provision for directors' retirement benefits
Some consolidated subsidiaries record the amount of retirement benefits required for directors at the end of the term pursuant to internal regulations in order to cover the retirement benefit paid to directors upon retirement.

(h) Provision for share based compensation plan
The Company recorded the projected amount of the stock benefit obligation as of the end of the current consolidated fiscal year, in order to provide for its share based compensation plan to Executive Officers, Operating Officers and Fellows based on the Share Distribution Policy.

(4) Accounting method for retirement benefits
(a) Method of attributing expected retirement benefits to periods
The method of attributing expected retirement benefits to periods until the end of the current consolidated fiscal year upon calculation of retirement benefit obligations is based on the benefit calculation method.

(b) Processing method for actuarial difference and past service costs
Past service costs are mainly amortized by the straight-line method over a certain number of years (10 years) within the average of remaining service period of employees at the time of occurrence. The actuarial difference is amortized mainly by the straight-line method over a certain number of years (10 years) within the average remaining service period of employees at

the time of occurrence in each consolidated fiscal year, and the amounts are amortized from the following consolidated fiscal year incurred.

(5) Basis for recording significant revenues and expenses
(a) Sales of products
The Group is engaged in the manufacture and sale of copper alloy products, electronic materials, cemented carbide products, cement, ready-mixed concrete, aluminum products, etc., smelting, refining and sales of copper, gold, silver, palladium, etc., and environmental recycling-related businesses. For these transactions, revenue is recognized primarily upon delivery of the product to the customer, as the customer obtains control over the product and the performance obligation is satisfied when the product is delivered.
The consideration for the transaction is received within one year of satisfaction of the performance obligation and does not include a significant financing component.
Transactions in which the Group is determined to have been involved as an agent are shown on a net basis.

(b) Construction contracts and provision of services
The Group recognizes revenue of services on construction contracts in the Energy-related business, the Engineering-related business, and other businesses based on the degree of completion of performance obligations judging that the performance obligation is satisfied for a certain period of time. Measurement of the progress is based on the ratio of the costs incurred during each reporting period to the estimated total costs, as inputs based on costs incurred provide a basis of a reasonable estimate of the progress of performance obligations.
However, revenue is recognized on a cost recovery method when the Group cannot reasonably estimate the degree of completion of the performance obligation at the initial stage of the contract but expects to recover the costs incurred.
For contracts with a very short period of time from the inception of the transaction to the point in time when the performance obligation is expected to be fully satisfied, the Group does not recognize revenue over a certain period of time, but recognizes revenue at the point of delivery, deeming performance obligations is to be satisfied at this point.

(6) Method of principal hedge accounting
(a) Method of hedge accounting
Deferred hedge accounting is used. For interest rate swaps, special treatment is adopted when the requirements of the special treatment are met. Designated hedge accounting is applied to foreign currency-denominated monetary assets and liabilities with forward foreign exchange contracts.

(b) Hedging instrument, hedged item and hedge policy
Forward foreign exchange contracts and currency swaps are entered into for the purpose of limiting exchange rate fluctuation risk in foreign currency transaction.
Commodity forward contracts and commodity price swaps are entered into for the purpose of limiting the risk of commodity price fluctuations of nonferrous metals inventories. Commodity forward contracts are entered into for the purpose of limiting the risk of commodity price fluctuations which occur upon entering into a forward contract for nonferrous metals commodities to be delivered at a future date.
Interest rate swaps are entered into for the purpose of limiting risks associated with interest rate fluctuations of borrowings as well as to reduce funding costs.

(c) Method of assessing hedge effectiveness
In principle, hedge effectiveness is assessed by comparing the changes in fair value or the cumulative changes in cash flows of hedging instruments with the corresponding changes in the hedged items, for the period from the commencement of the hedge to the time of determining its effectiveness.

Furthermore, regarding nonferrous metals forward contracts, the trading volume of hedge transactions are controlled each month to be equal to the trading volume of the hedged items, and at the end of the fiscal year, the effectiveness is evaluated by reviewing whether the expected profit and loss and cash flows are secured.

(d) Hedging relationships that apply the Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR
Among the above mentioned hedging relationships, all the hedging relationships subject to the application of “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (No.40, March 17, 2022, hereinafter referred to as “PITF”) have adopted the special treatment prescribed in PITF No. 40. The details of hedging relationships to which the PITF is applied are as follows.

Hedge accounting method:	Special treatment of interest rate swap
Hedging instrument:	Interest rate swaps
Hedged items:	Interest payments on borrowings
Type of hedging transaction:	Those which fix cash flows

(7) Amortization method and period of goodwill
Amortization method and period of goodwill are determined individually and goodwill is amortized evenly over a reasonable number of years within 20 years. If the amount is not significant, the entire amount is amortized when incurred.

(8) Range of cash and cash equivalents in the consolidated statements of cash flows
Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn at any time, and short-term investments that have a maturity date or redemption date within three months from the date of acquisition, which can be easily converted into cash, and bear the slight risk of fluctuations in value.

Note 2 Significant Accounting Estimates

Current consolidated fiscal year (As of March 31, 2022)
Whether or not an impairment loss should be recognized on goodwill recorded in Luvata Oy
1. Amount recognized in the consolidated financial statements for the current consolidated fiscal year
In the consolidated balance sheet for the current fiscal year, the Company reported goodwill of ¥6,874 million ($56,165 thousand) arising from the acquisition of the equity interest in the Luvata Special Products business (hereinafter referred to as the “Luvata Group”), which is centered around Luvata Pori Oy.

2. Information on the nature of significant accounting estimates related to the identified items
Luvata Oy applies IFRS in preparing its financial statements. A group of cash-generating units, including goodwill, is tested for impairment annually in addition to when there is an indication of impairment. If the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the reduction in the carrying amount is recognized as an impairment loss. The recoverable amount is determined as the higher of either the value in use or the fair value less costs of disposal.
Luvata Oy used the value in use as the recoverable amount for impairment testing on goodwill. The future cash flows used to measure the value in use were estimated based on the Luvata Group’s medium-term management plan. Embedded in the medium-term management plan were certain key assumptions such as the future growth rates of the automobile, MRI, and other markets targeted by the Luvata Group’s products, the expected increase in market share through sales expansion measures, and sales prices regarding the negotiations with customers. Uncertainty about the prospects has increased in the current consolidated fiscal year due to reduction in production in the automobile industry caused by the shortage of semiconductors, and soaring logistics costs. Accordingly, management’s judgement regarding these factors had a significant impact on the calculation of the value in use. In addition, estimating the discount rate used to measure the value in use required a high degree of valuation expertise in selecting the calculation methods and input data.
As a result of the impairment test, the Company determined that the value in use of the group of cash-generating units, including goodwill, arising from the acquisition of the Luvata Group exceeded its the carrying amount, and therefore the recognition of an impairment loss was not required. However, if the conditions or assumptions on which the estimates were based change due to significant changes in economic conditions, etc., an impairment loss may be incurred.

Previous consolidated fiscal year (As of March 31, 2021)
Determining whether an impairment loss should be recognized on the larger groups of assets including common assets of the Company
1. Amount recorded on the consolidated financial statements for the previous consolidated fiscal year
The Company recorded property, plant and equipment of ¥340,484 million and intangible assets of ¥2,328 million in the consolidated financial statements. During the current consolidated fiscal year, the Company determined that there was an indication of impairment for the common assets of the Company due to losses incurred from operating activities in consecutive fiscal years. In determining whether to recognize an impairment loss, the Company estimated the undiscounted future cash flows, and as a result, the Company did not recognize an impairment loss because the total amount of the undiscounted future cash flows exceeded the total carrying amount of fixed assets, including common assets.

2. Information regarding the important accounting estimates related to the identified items
The Company groups assets mainly by product group as the smallest unit that generates cash flows. In addition, common assets are grouped on the larger groups that include common assets.
If an indication of impairment of each asset or asset group is identified and the total undiscounted future cash flow from the asset or asset group is less than their carrying amount, the Company is required to recognize an impairment loss. If the Company determines that an impairment loss must be recognized, then it reduces the carrying amount to its recoverable amount, and records impairment losses for the difference between the carrying amount and recoverable amount.
The Company estimates undiscounted future cash flow based on its next fiscal year’s budget and the Medium-term Management Strategy. The growth rate after the period of the Medium-term Management Strategy is determined by taking into account the long-term growth rate of the relevant market and other factors. Based on the assumptions that the impact of COVID-19 will remain for a certain period of time but will gradually subside, and that by FY2023 the business environment will recover to the level before the global spread of COVID-19, the Company’s main assumptions include increased sales volume in Advanced Products and Metalworking Solutions Business due to increasing demand from the automobile, semiconductor and certain other industries, as well as the non-ferrous metal prices forecast.
The net realizable value of land is estimated mainly by utilizing appraisal values determined by licensed real estate appraisers.
The total amount of undiscounted future cash flow sufficiently exceeds the carrying amount of fixed assets. However, significant changes in the economic environment and other factors may result in an impairment loss.

Note 3 Changes in Accounting Policies

1. Application of "Accounting Standard for Revenue Recognition" and related guidance

The Group adopted the "Accounting Standard for Revenue Recognition" and related guidance (ASBJ Statement No. 29, March 31, 2020, and hereinafter referred to as the "Accounting Standard for Revenue Recognition") from the beginning of the current consolidated fiscal year and recognized revenue at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services has been transferred to the customer.
As a result, changes were made including transactions in which the Group is determined to have been involved as an agent are presented on a net basis.
The Accounting Standard for Revenue Recognition, etc., are applied under the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of retrospective application of the new accounting policy before the beginning of the current consolidated fiscal year is added to or deducted from retained earnings at the beginning of the current consolidated fiscal year, and the new accounting policy is applied from the beginning balance. However, the new accounting policy was not applied retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment before the beginning of the consolidated fiscal year by applying the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition.
Consequently, net sales for the consolidated fiscal year decreased by ¥27,728 million ($226,556 thousand), but the impact on operating profit, ordinary profit, and profit before income taxes was immaterial. The effect on the balance of retained earnings at the beginning of the current period and per share information is immaterial.
In addition, from the current consolidated fiscal year, "Notes and accounts receivable - trade," previously included in "Current assets" on the consolidated balance sheet, is now included in "Notes receivable - trade," "Accounts receivable - trade" and "Other". "Notes and accounts receivable-trade" of ¥220,522 million reported under "Current assets" in the consolidated balance sheet for the previous fiscal year is separately reported as "Notes receivable - trade" of ¥29,788 million and "Accounts receivable-trade" of ¥190,733 million. However, in accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, "Accounts receivable - trade" under "Current assets" is not reclassified to "Other" using the new presentation method for the previous consolidated fiscal year.
Under the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes concerning "Revenue Recognition" for the previous fiscal year are not disclosed.

2. Application of "Accounting Standard for Fair Value Mesurement" and related guidance

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Accounting Standard for Fair Value Measurement") and related guidance are applied from the beginning of the current consolidated fiscal year. Under the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company has decided to apply the accounting policies prescribed by these standards prospectively.
Consequently, available-for-sale securities with fair market value are recorded based on market prices as of the closing date from the current consolidated fiscal year, which were previously stated at fair market value based on the average market price during the month before the balance sheet date.
As a result, the effect of this change on the consolidated financial statements for the current consolidated fiscal year is immaterial.
In addition, the breakdown of financial instruments by fair value level is disclosed in "Note12 Financial Instruments." However, the Company has not disclosed the notes for the previous consolidated fiscal year in accordance with the traditional treatment stipulated in Paragraph 7-4 of the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019)

Note 4 New Accounting Standard not Adopted as Yet

"Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, August 12, 2021, ASBJ)

(1) Overview

Following the enactment of the "Act for Partial Amendment to the Income Tax Act, etc." (Act No. 8 of 2020) on March 27, 2020, the ASBJ issued the solution to clarify the accounting and disclosure treatment of corporate tax, local tax and tax effect accounting under the group tax sharing system.

(2) Scheduled date of application

Effective from the beginning of the fiscal year ending March 31, 2023.

(3) Effect of application of the Accounting Standards, etc.

The Company will apply for approval of the group tax sharing system during the current consolidated fiscal year and will apply the system from the following consolidated fiscal year.
The effect of the application of the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" on the consolidated financial statements is currently under evaluation.

Note 5 Additional Information

1. Share-based compensation plan

(1) Overview of the transaction

The Company has introduced a share-based compensation plan (hereinafter referred to as the "Plan") for its executive officers, operating officers and fellows (excluding non-domestic residents, hereinafter referred to as the "Officers") since May, 2020.
The Plan adopts a structure called Board Incentive Plan Trust (hereinafter referred to as the "BIP Trust"). The Plan is to issue and grant the Officers the Company's shares and the amount equivalent to the disposal value of the Company's shares, according to the Officers' positions or other conditions.

(2) The Company's shares remaining in BIP Trust

The Company's shares remaining in BIP Trust are recorded as the treasury shares in the net assets of the balance sheet, with their carrying amount in BIP Trust (excluding the amount of ancillary expenses). The carrying amount and the number of the Company's treasury shares are ¥684 million ($5,596 thousand) and 274 thousand shares respectively at the end of the current consolidated fiscal year. The carrying amount and the number of the Company's treasury shares are ¥684 million and 274 thousand shares respectively at the end of the previous consolidated fiscal year.

2. Accounting estimates associated with spread of COVID-19

Although COVID-19 has a widespread impact on economies and corporate activities and it is difficult to forecast how the infection will further spread or when it will subside, the Group has made accounting estimates related to recoverability of deferred tax assets, impairment loss, etc. on the assumption that the impact of the infection will continue for a certain period during the fiscal year ending March 31, 2023, and will gradually subside, based on external information available as of the end of the current consolidated fiscal year.

3. Conclusion of the agreement regarding PT. Smelting

At a meeting of the Board of Directors held on November 25, 2021, the Company resolved to enter into an agreement with PT Freeport Indonesia (hereinafter referred to as "PTFI") regarding PT. Smelting in Indonesia (hereinafter referred to as "PTS"), a consolidated subsidiary of the Company, that:

- PTS will expand the capacity of processing copper concentrate (hereinafter referred to as "Expansion Work");
- PTS will borrow from PTFI, a joint venture partner, the full amount required for the Expansion Work, and the amount borrowed by PTS from PTFI will be converted to newly issued shares of PTS based on the carrying amount per share method (capital increase) on the condition of the completion of the Expansion Work; and
- PTS will change its business structure, and process copper concentrates supplied solely by PTFI on a tolling basis from 2023.

For the above, the Company entered into a relevant agreement with PTFI on November 30, 2021.

(1) Outline of the Expansion Work and reason for the capital increase

Since its establishment in 1996, PTS has supplied high quality copper cathodes to customers in Indonesia and Southeast Asia, as a key base for the Group in Southeast Asia and as the only copper smelter and refinery in Indonesia. The new mining law enacted in 2009 in Indonesia requires mining companies to process ores to add high-value. These requirements have enhanced PTS's status as an integrated smelter for the Grasberg mining district operated by PTFI. In consideration of the condition, the Company has discussed with PTFI the future business plans of PTS. As a result, the Company has concluded with PTFI that:

(a) PTS will implement the Expansion Work as a part of the fulfillment of adding value to concentrates,
(b) PTS will borrow from PTFI the full amount required for the Expansion Work, and
(c) On the condition of the completion of the Expansion Work, the outstanding amount of the loan from PTFI to PTS shall be converted to newly issued shares of PTS (capital increase) based on the carrying amount per share method.

After completion of the Expansion Work and issuance of additional shares to PTFI, which is scheduled in the first half of 2024, PTS, which is currently a consolidated subsidiary of the Company, will be an equity method affiliate.
The outline of Expansion Work is as follows:
The annual capacity of processing copper concentrate: Increase from 1.0 million dmt to 1.3 million dmt
The annual capacity of copper cathode production: Increase from 300,000 mt to 342,000 mt
Expansion cost: Approximately US$ 250 million (current estimate)
Target completion date: The end of December 2023 (Orders are placed sequentially from December 2021)
Operation of the existing facilities: Continue to operate in parallel with the Expansion Work. (Except 2.5 months shutdown scheduled in the 1st half of 2023)

(2) Change in the business operation of PTS

Along with the discussion about the Expansion Work, the Company has discussed with PTFI on the future management of PTS, and agreed to modify the future business operation of PTS beginning in 2023.
Currently, PTS generates income by purchasing copper concentrates from mining companies, producing copper cathodes, precious metal slimes and other byproducts, and selling those products to its customers. After the change in the business operation, PTS will process copper concentrates supplied solely by PTFI on a tolling basis. This means that the ownership of copper, gold and silver contained in the copper concentrates smelted and refined at PTS will belong to PTFI, including the period during smelting and refining, and the copper cathodes, precious metals slimes and other byproducts produced from the smelting and refining proves will remain the property of PTFI. PTS will receive fees from PTFI as compensation for its tolling services.
After the change in the business operation of PTS to the Tolling service , a newly established subsidiary of the Company in Indonesia will be the operator of PTS and, therefore, the Company, with more than twenty years of experience in managing the operation of PTS, will remain deeply involved in the daily operations of PTS through its new subsidiary, and the Company will be engaged in the sales of the PTFI-owned copper cathodes produced under the Tolling service.

(3) Outline of the affected subsidiary

Name:	PT. Smelting
Business Description:	Smelting and refining of nonferrous metals

(4) Outline of the change in shareholding ratio of PTS
Before the capital increase: 60.5%
After the capital increase (Estimate): Approx. 35%

(5) Schedule

November 25, 2021:	Resolution by the Board of Directors of the Company and Shareholders' meeting of PTS
November 30, 2021:	Execution of definitive agreements
December 2021:	Commencement of the Expansion Work
January 2023 (expected) :	Commencement of the Tolling Service
December 2023 (expected) :	Completion of the Expansion Work
First half of 2024 (expected) :	Completion of capital increase by PTS and PTS will be an equity method affiliate of the Company

Note 6 Consolidated Balance Sheets

(*1) Accumulated depreciation of property, plant and equipment is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Accumulated depreciation of property, plant and equipment	¥ 1,196,222	¥ 1,388,335	$ 9,773,856

(*2) Investment securities for non-consolidated subsidiaries and affiliates are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Investment securities (shares)	¥ 88,870	¥ 90,217	$ 726,124
Investment for joint venture in shares of affiliates	3,207	7,683	26,210
Other (investment and other assets) (investment in capital)	247	168	2,024

(*3) The amount of reduction entry by the direct reduction method implemented in the current consolidated fiscal year is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Amount of reduction entry by direct reduction method	¥ 11	¥ 296	$ 90

4. Debt guarantees
Debt guarantees are provided for borrowings from bank etc. of companies other than consolidated subsidiaries and employees.
Current consolidated fiscal year (As of March 31, 2022)

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Yuzawa Geothermal Power Generation Corporation	¥ 1,563	$ 12,771
Employees	1,874	15,318
Other 9 companies	1,419	11,601
Total	¥ 4,857	$ 39,691

Previous consolidated fiscal year (As of March 31, 2021)

	Millions of yen
	2021
Yuzawa Geothermal Power Generation Corporation	¥ 1,759
Employees	1,981
Similco Finance Ltd.	3,545
Kobelco & Materials Copper Tube Co., Ltd.	2,004
Copper Mountain Mine (BC) Ltd.	1,605
JECO 2 Ltd.	1,185
Other 9 companies	1,288
Total	¥ 13,371

5. Contingent liabilities
Matters concerning taxation in Indonesia
Current consolidated fiscal year (As of March 31, 2022)
The consolidated subsidiary of the Company, PT. Smelting (hereinafter "PTS"), has received a notice of reassessment from Indonesian Tax Authority covering the company's five fiscal years ended December 31, 2012, December 31, 2014, December 31, 2016, and December 31, 2018 as of the end of the current consolidated fiscal year.
Indonesian Tax Authority has unilaterally disallowed certain agent fees, etc. of PTS for some time, and since these corrections are not acceptable for the Company and PTS, PTS is asserting the legitimacy of the Company and PTS to Indonesian Tax Authority, through tax trials, objections, and other means.
As of the end of the current consolidated fiscal year, the additional amount disputed by PTS totaled US$19 million (¥2,363 million at the exchange rate as of the end of the current consolidated fiscal year).
On June 9, 2022, PTS also received a notice of reassessment for the fiscal year ended December 31, 2017 in an amount of US$4 million (¥580 million) from the Indonesian National Tax Authority. Depending on the result of the opposition or the tax lawsuit, some surcharge may be levied.

Previous consolidated fiscal year (As of March 31, 2021)
On December 30, 2014, PT. Smelting in Indonesia, a consolidated subsidiary of the Company (hereinafter referred to as "PTS"), received a notice of reassessment in an amount of US$47 million (¥5,299 million based on the exchange rate at the end of the previous consolidated fiscal year) from the Indonesian National Tax Authority, regarding the sales transaction pricing etc. of PTS for the fiscal year ended December 31, 2009. On January 28, 2015, PTS made a provisional deposit of US$14 million (¥1,549 million) as a part of the additional collection.
However, PTS submitted a written objection to the Indonesian National Tax Authority on March 25, 2015, because this assessment, which claimed there was a net sales shortage on the part of PTS based on a comparison of the profit margin ratio with other companies selected by the Indonesian National Tax Authority, was highly unreasonable and found to be unacceptable by the Company and PTS.
The written objection submitted by PTS on March 25, 2015 was dismissed by the Indonesian National Tax Authority on March 16, 2016. Therefore, PTS filed a lawsuit with the Tax Court on June 6, 2016, asserting the legitimacy of the views of the Company and PTS, but the lawsuit was dismissed by a judgment of January 30, 2020. As a result, an insufficient payment amount of US$33 million (¥3,749 million) was made on March 23, 2020, and a surcharge of US$33 million (¥3,749 million) on April 24, 2020. However, because the judgment made by the Tax Court is not acceptable by the Company and PTS, PTS filed a final appeal to the Supreme Court in Indonesia on June 8, 2020 to assert the legitimacy of the view of the Company and PTS.
The Supreme Court issued an order dated February 17, 2021, reversing the verdict of the Tax Court. Subsequently, PTS received a notice of judgement from the Tax Court dated April 16, 2021 that cancels the reassessed tax amount. Going forward, PTS will proceed to request a refund of taxes paid.
On November 29, 2017, PTS also received a notice of reassessment in an amount of US$22 million (¥2,527 million) from the Indonesian National Tax Authority, primarily regarding its posting of profit and loss on hedging, etc. for the fiscal year ended December 31, 2012. On December 27, 2017, PTS made a provisional deposit of US$6 million (¥697 million) as part of the additional collection.
However, PTS submitted a written objection to the Indonesian National Tax Authority on February 27, 2018, because this assessment unilaterally negated the profit and loss on hedging, etc. of PTS and found to be unacceptable by the Company and PTS.
The written objection submitted by PTS on February 27, 2018 was dismissed by the Indonesian National Tax Authority on February 25, 2019. Therefore, PTS filed a complaint to the Tax Court in Indonesia on May 17, 2019 to assert the legitimacy of the view of the Company and PTS.
In response to the lawsuit filed by PTS, the Tax Court reached a verdict on December 16, 2020, and accepted PTS's claim for US$14 million (equivalent to 1,599 million yen). On March 18, 2021, PTS appealed to the Supreme Court with a claim for US$7 million (equivalent to 871 million yen) and the penalties of US$ 2 million (equivalent to 228 million yen), which had been dismissed by the Tax Court, thereby asserting the legitimacy of the views of the Company and PTS.
On December 5, 2018, PTS also received a notice of reassessment in an amount of US$15 million (¥1,684 million) from the Indonesian National Tax Authority, primarily regarding its posting of profit and loss on hedging, etc. for the fiscal year ended December 31, 2014. On December 27, 2018, PTS made a provisional deposit of US$5 million (¥649 million) as part of the additional collection.
However, PTS submitted a written objection to the Indonesian National Tax Authority on February 27, 2019, because this assessment was a view that unilaterally negated the profit and loss on hedging, etc. of PTS and found to be unacceptable by the Company and PTS.
On January 20, 2020, PTS received a notice from the Indonesian National Tax Authority regarding the written objection submitted by PTS on February 27, 2019, and the written objection of PTS was accepted for US$9 million (¥1,038 million). For US$4 million (¥524 million), for which the written objection was dismissed, PTS filed a complaint to the Tax Court in Indonesia on July 7, 2020 to present the fairness of the view of the Company and PTS.
The total amount for additional collection being disputed by PTS as of the end of the current consolidated fiscal year, including amounts for the fiscal years described above as well as amounts for the fiscal year ended December 31, 2011, the fiscal year ended December 31, 2016 and the fiscal year ended December 31, 2018 is US$30 million (¥3,421 million). Depending on the result of the opposition or the tax lawsuit, some surcharge may be levied.

6. Notes receivable – trade discounted, etc.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Notes receivable - trade discounted	¥ 102	¥ 54	$ 836
Notes and accounts receivable - trade securitized with recourse	1,917	3,703	15,666

(*7) Assets pledged as collateral and liabilities secured by the collateral

Assets pledged as collateral are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and deposits	¥ 37,553	¥ 27,622	$ 306,835
Accounts receivable - trade	7,497	8,717	61,255
Merchandise and finished goods	13,534	10,625	110,584
Work in process	40,084	23,989	327,517
Raw materials and supplies	25,014	20,356	204,381
Property, plant and equipment (*)	3,770	12,441	30,804
Investment securities	6,604	6,099	53,962
Total	¥ 134,058	¥ 109,852	$ 1,095,341

Liabilities secured by the collateral are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Short-term borrowings	¥ 19,356	¥ 25,354	$ 158,154
Long-term borrowings (*)	6,294	940	51,432
(Current portion of long-term borrowings)	50	140	408
Other	3	24	30
Total	¥ 25,655	¥ 26,318	$ 209,617

(*) Assets pledged as collateral for foundation mortgage

Name of assets, net

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Buildings and structures, net	¥ 959	¥ 1,261	$ 7,839
Machinery, equipment and vehicles, net	—	1,680	—
Land, net	2,426	7,641	19,828
Other, net	—	45	—
Total	¥ 3,386	¥ 10,628	$ 27,667

Liabilities secured by the above collateral

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Long-term borrowings	¥ 790	¥ 940	$ 6,454
(Current portion of long-term borrowings)	50	140	408
Total	¥ 790	¥ 940	$ 6,454

(*8) Revaluation reserve for land

Current consolidated fiscal year (As of March 31, 2022)

The Company revaluated lands for business use pursuant to the "Act on Revaluation of Land", (Act No.34 issued on March 31, 1998) and "Amendment to Act on Revaluation of Land", (Act No.19 issued on March 31, 2001), and recorded the applicable income tax effect as "Deferred tax liabilities for land revaluation" in liabilities and the revaluated value less the deferred tax liabilities as "Revaluation reserve for land" in net assets.

•Method of revaluation

Calculation by making reasonable adjustments to the assessed value for property tax purposes stipulated in Article 2, Item 3 of "Enforcement Order for Act on Revaluation of Land" (Cabinet Order No. 119 issued on March 31, 1998). For certain cases, the method based on the appraisal value by a real estate appraiser specified in Item 5 is used.

•Date of revaluation

Yokkaichi Plant March 31, 2000
Other March 31, 2002

Difference between the fair value of the revaluated land at the end of the period and its carrying amount after revaluation	¥(30,672) million ($(250,615) thousand)

Previous consolidated fiscal year (As of March 31, 2021)

The Company and one consolidated subsidiary revaluated lands for business use pursuant to the "Act on Revaluation of Land", (Act No.34 issued on March 31, 1998) and "Amendment to Act on Revaluation of Land", (Act No.19 issued on March 31, 2001), and recorded the applicable income tax effect as "Deferred tax liabilities for land revaluation" in liabilities and the revaluated value less the deferred tax liabilities which is equivalent to equity interest as "Revaluation reserve for land" in net assets.

•Method of revaluation

Calculation by making reasonable adjustments to the assessed value for property tax purposes stipulated in Article 2, Item 3 of "Enforcement Order for Act on Revaluation of Land" (Cabinet Order No. 119 issued on March 31, 1998). For certain cases, the method based on the appraisal value by a real estate appraiser specified in Item 5 is used.

(1) The Company

•Date of revaluation

Yokkaichi Plant March 31, 2000
Other March 31, 2002

Difference between the fair value of the revaluated land at the end of the period and its carrying amount after revaluation	¥(30,719) million

(2) One consolidated subsidiary

•Date of revaluation March 31, 2000

Because the fair value of the revaluated land exceeds its carrying amount after the revaluation at the end of the current consolidated fiscal year, the difference is not presented.

(*9) This is related to pure gold reserve transaction (My Gold Partner) based on a consumption deposit contract.

Note 7 Consolidated Statements of Profit or Loss

(*1) Revenue from contracts with customers

Net Sales isn't classified as revenue from contracts with customers and revenue from others because net sales is mainly "Revenue from contracts with customers" and revenue from others is not significant.

(*2) The inventories at the end of the period represent the amount after reducing carrying amount associated with declining profitability and the following loss (reversal of loss) on valuation of inventories is included in the cost of sales.

Millions of yen		Thousands of U.S. dollars
2022	2021	2022
¥ (4,584)	¥ 5,586	$ (37,456)

(*3) Provision (reversal) for loss on construction contracts which is included in the cost of sales

Millions of yen		Thousands of U.S. dollars
2022	2021	2022
¥ 115	¥ (0)	$ 944

(*4) Major components and amounts in selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Transportation and storage	¥ 32,283	¥ 28,607	$ 263,777
Depreciation and amortization	5,498	5,541	44,927
Retirement benefit expenses	3,123	3,632	25,517
Provision for directors' retirement benefits	502	372	4,107
Provision for bonuses	10,024	9,414	81,907
Salaries	34,476	33,960	281,692
Outsourcing expenses	15,732	12,808	128,541
Rental expenses	5,909	6,303	48,281
Research and development expenses	11,604	11,127	94,815

(*5) Total amount of research and development expenses included in general and administrative expenses

Millions of yen		Thousands of U.S. dollars
2022	2021	2022
¥ 11,604	¥ 11,127	$ 94,815

(*6) The Group recorded impairment loss on the asset groups below. (Method of asset grouping)

The Group categorizes its assets mainly by product lines based on the reporting segments. Idle assets are classified by individual asset unit. The impact on segments is presented in the relevant part.

Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
(Overview of assets groups for which impairment loss was recognized)

Asset groups	Location	Type of assets	Millions of yen Impairment loss	Thousands of U.S. dollars Impairment loss
Advanced Products	Suzhou, Jiangsu Province, China, etc.	Machinery and equipment, construction in progress and rights, etc.	¥ 2,600	$ 21,249
Metalworking Solution Business	Tsuduki, Kyoto prefecture	Machinary and equipment, land, etc.	171	1,398
Metal Business	Akita, Akita prefecture	Buildings, etc.	19	156
Other Businesses	Koshigaya, Saitama prefecture, etc.	Land, buildings, etc.	442	3,619
Common assets	Chiyoda, Tokyo prefecture	Software in progress	606	4,957
Idle assets	Bofu, Yamaguchi prefecture, etc.	Land	46	377
Total			¥ 3,886	$ 31,758

(Circumstances leading up to recognizing impairment loss)
Regarding the asset group of the business assets of which profitability has significantly fallen due to a declining market price of products or other reasons and the asset group of the business assets of which market price has significantly fallen, their carrying amounts are reduced to their collectible amount. Regarding the idle assets whose collectible amount has fallen below the carrying amount due to a drop in their market prices etc., the carrying amounts are reduced to their collectible amount. The Group recorded the amount of reduction in the carrying amounts of such business assets and idle assets as impairment loss ¥3,886 million ($31,758 thousand) in extraordinary losses.

Breakdown of impairment loss by account titles
Buildings: ¥211 million ($1,725 thousand), Machinery and equipment: ¥1,013 million ($8,277 thousand), Construction in progress: ¥852 million ($6,965 thousand), Land: ¥392 million ($3,204 thousand), Rights: ¥674 million ($5,513 thousand), Software in progress: ¥606 million ($4,957 thousand), Other: ¥136 million ($1,114 thousand)

(Calculation method of collectible amount)
Collectible amount is measured by the net realizable value or the value in use. The net realizable value is calculated using real estate appraisal value for assets whose market price is of high significance and using the assessed value for property tax for other assets. Calculation of the value in use is based on the future cash flow discounted mainly by 6.0%.

Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)
(Overview of assets groups for which impairment loss was recognized)

Asset groups	Location	Type of assets	Millions of yen Impairment loss
Advanced Products	Yokkaichi, Mie prefecture, etc.	Machinery and equipment, construction in progress, etc.	¥ 1,950
Metalworking Solution Business	Niigata, Niigata prefecture, etc.	Construction in progress, machinery and equipment, etc.	1,304
Metal Business	Akita, Akita prefecture, etc.	Buildings, machinery and equipment, etc.	32
Cement Business	Nakatsu, Oita prefecture, etc.	Tools, instruments	0
Other Businesses	Susono, Shizuoka prefecture, etc.	Machinery and equipment, land, etc.	214
Idle assets	Nasu, Tochigi prefecture, etc.	Land	30
Total			¥ 3,532

(Circumstances leading up to recognizing impairment loss)
Regarding the asset group of the business assets of which profitability has significantly fallen due to a declining market price of products or other reasons and the asset group of the business assets of which market price has significantly fallen, their carrying amounts are reduced to their collectible amount. Regarding the idle assets whose collectible amount has fallen below the carrying amount due to a drop in their market prices etc., the carrying amounts are reduced to their collectible amount. The Group recorded the amount of reduction in the carrying amounts of such business assets and idle assets as impairment loss ¥3,532 million in extraordinary losses.

Breakdown of impairment loss by account titles
Buildings: ¥247 million, Machinery and equipment: ¥1,969 million, Construction in progress: ¥1,021 million, Tools, instruments: ¥162 million, Other: ¥131 million

(Calculation method of collectible amount)
Collectible amount is measured by the net realizable value or the value in use. The net realizable value is calculated using real estate appraisal value for assets whose market price is of high significance and using the assessed value for property tax for other assets. Calculation of the value in use is based on the future cash flow discounted mainly by 6.0%.

(*7) Loss on business restructuring
Current consolidated fiscal year (As of March 31, 2022)
The loss on business restructuring of ¥25,116 million ($205,213 thousand) represents the loss on sales of shares of subsidiaries and affiliates and the loss on business transfer etc., resulting from the transfer on March 31, 2022 of all the shares of Universal Can Corporation, a consolidated subsidiary engaged in aluminum business owned by the Company, and the Aluminum rolling and extrusion business of Mitsubishi Aluminum Co., Ltd. to Showa Aluminum Can Co., Ltd. owned by a fund managed by an affiliate of the U.S.-based Apollo Global Management, Inc.

Previous consolidated fiscal year (As of March 31, 2021)
The loss on business restructuring of ¥22,370 million includes loss on sale of investment securities and loss on assignment of receivables associated with the transfer of equity interests and receivables of Diamet Corporation to Endeavour II United Investment Business Limited Partnership on December 4, 2020. Diamet Corporation had been a consolidated subsidiary of the Company that operated the Sintered Parts Business.

Note 8 Consolidated Statements of Comprehensive Income

(*) Reclassification adjustments and tax effects concerning other comprehensive income

	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Valuation difference on available-for-sale securities:			
Gains (losses) incurred during period	¥ 4,720	¥ 54,092	$ 38,571
Reclassification adjustment to net income	(28,824)	(26,419)	(235,516)
Amount before tax effect	(24,104)	27,673	(196,945)
Tax effect	7,231	(8,059)	59,087
Valuation difference on available-for-sale securities	(16,872)	19,613	(137,858)
Deferred gains or losses on hedges:			
Gains (losses) incurred during period	18,760	(16,611)	153,283
Reclassification adjustment to net income	(20,006)	12,646	(163,469)
Amount before tax effect	(1,246)	(3,965)	(10,185)
Tax effect	245	1,122	2,009
Deferred gains or losses on hedges	(1,000)	(2,843)	(8,176)
Foreign currency translation adjustment:			
Gains (losses) incurred during period	27,558	5,758	225,167
Reclassification adjustment to net income	—	—	—
Amount before tax effect	27,558	5,758	225,167
Tax effect	—	—	—
Foreign currency translation adjustment	27,558	5,758	225,167
Remeasurements of defined benefit plans:			
Gains (losses) incurred during period	(618)	11,033	(5,050)
Reclassification adjustment to net income	1,515	2,496	12,381
Amount before tax effect	897	13,529	7,330
Tax effect	(48)	(3,159)	(398)
Remeasurements of defined benefit plans	848	10,369	6,931
Share of other comprehensive income of entities accounted for using equity method:			
Gains (losses) incurred during period	986	(596)	8,057
Reclassification adjustment to net income	(916)	1,748	(7,485)
Share of other comprehensive income of entities accounted for using equity method	70	1,152	572
Total other comprehensive income	¥ 10,603	¥ 34,050	$ 86,637

Note 9 Consolidated Statements of Changes in Net Assets

Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)

1. Class and total number of outstanding shares and class and number of treasury shares

	Number at beginning of period	Increase during period	Decrease during period	Number at end of period
Outstanding shares				
Common shares	131,489,535	—	—	131,489,535
Total	131,489,535	—	—	131,489,535
Treasury shares				
Common shares (*1), (*2), (*3)	836,604	13,043	1,214	848,433
Total	836,604	13,043	1,214	836,433

(*1) The number of treasury shares in common shares includes 274,700 shares held by the Board Incentive Plan Trust (hereinafter referred to as "BIP Trust").

(*2) Breakdown of treasury shares increased during the period

Increase by purchase of less-than-one unit shares 13,043 shares

(*3) Breakdown of treasury shares decreased during the period

Decrease by sales of less-than one unit shares 1,214 shares

2. Dividend

(1) Dividend amount

Resolution	Type of shares	Total dividend amount (Millions of yen)	Total dividend amount (Thousands of U.S. dollars)	Dividend per share (Yen)	Dividend per share (U.S. dollar)	Record date	Effective date
May 14, 2021 Board of Directors	Common shares	¥ 6,546	$ 53,488	¥ 50.0	$ 0.41	March 31, 2021	June 9, 2021
November 9, 2021 Board of Directors	Common shares	¥ 5,236	$ 42,788	¥ 40.0	$ 0.33	September 30, 2021	December 10, 2021

(*1) The total dividend payment approved by the Board of Directors held on May 14, 2021 includes the dividend payment of ¥13 million ($112 thousand) for the shares held by BIP Trust.

(*2) The total dividend payment approved by the Board of Directors held on November 9, 2021 includes the dividend payment of ¥10 million ($90 thousand) for the shares held by BIP Trust.

(*3) The dividend per share of ¥40 ($0.3) approved by the Board of Directors held on November 9, 2021 includes special dividend of ¥15 ($0.1).

(2) Dividend which has record date that belongs to the current consolidated fiscal year but the effective date of which belongs to the next consolidated fiscal year.

Resolution	Type of shares	Total dividend amount (Millions of yen)	Total dividend amount (Thousands of U.S. dollars)	Source of dividend	Dividend per share (Yen)	Dividend per share (U.S. dollar)	Record date	Effective date
May 13, 2022 Board of Directors	Common shares	¥ 6,545	$ 53,483	Retained earnings	¥ 50.0	$ 0.41	March 31, 2022	June 10, 2022

(*1) The total dividend payment approved by the Board of Directors held on May 13, 2022 includes the dividend payment of ¥13 million ($112 thousand) for the shares held by BIP Trust.

(*2) The dividend per share of ¥50 ($0.4) approved by the Board of Directors held on May 13, 2022 includes special dividend of ¥15 ($0.1).

Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)

1. Class and total number of outstanding shares and class and number of treasury shares

	Number at beginning of period	Increase during period	Decrease during period	Number at end of period
Outstanding shares				
Common shares	131,489,535	—	—	131,489,535
Total	131,489,535	—	—	131,489,535
Treasury shares				
Common shares (*4), (*5), (*6)	550,160	287,330	886	836,604
Total	550,160	287,330	886	836,604

(*4) The number of treasury shares in common shares includes 274,700 shares held by the Board Incentive Plan Trust (hereinafter referred to as "BIP Trust").

(*5) Breakdown of treasury shares increased during the period

Increase by purchase of less-than-one-unit shares 12,630 shares

Increase by purchase of the shares for BIP Trust: 274,700 shares

(*6) Breakdown of treasury shares decreased during the period

Decrease by sales of less-than-one-unit shares 886 shares

2. Dividend

(1) Dividend amount

Resolution	Type of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
May 27, 2020 Board of Directors	Common shares	¥ 5,237	¥ 40.0	March 31, 2021	June 16, 2020

(2) Dividend whose record date belongs to the previous consolidated fiscal year but the effective date of which belongs to the current consolidated fiscal year

Resolution	Type of shares	Total dividend amount (Millions of yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
May 14, 2021 Board of Directors	Common shares	¥ 6,546	Retained earnings	¥ 50.0	March 31, 2021	June 9, 2021

Note:

The total dividend payment approved by the Board of Directors held on May 14, 2021 includes the dividend payment of ¥13 million for the shares held by BIP Trust.

Note 10 Consolidated Statements of Cash Flows

(*1) Reconciliation between cash and cash equivalents at the end of the period and amounts stated in the consolidated balance sheets

	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Cash and deposits	¥ 159,221	¥ 153,086	$ 1,300,934
Less time deposits with maturities over 3 months	(5,444)	(5,374)	(44,488)
Less restricted deposits	(135)	(178)	(1,107)
Cash and cash equivalents	¥ 153,640	¥ 147,533	$ 1,255,339

(*2) Breakdown of assets and liabilities held by the companies which were deconsolidated due to business succession and the sales of shares during the current consolidated fiscal year.

The breakdown of assets and liabilities, as well as proceeds from transfer of shares and succession of business (net), associated with the transfer of the shares resulting in the exclusion of Universal Can Corp. and one other company from the consolidated subsidiaries and the business succession resulting in the exclusion of the aluminum rolling and extrusion business of Mitsubishi Aluminum Co., Ltd. and six other companies including MA Packaging Co., Ltd. from the consolidated subsidiaries, and the exclusion of Muang-Max (Thailand) Co., Ltd. from the equity-method affiliates, are as follows.

	Millions of yen	Thousands of U.S. dollars
Assets and liabilities related to stock transfer		
Current assets	¥ 33,412	$ 272,998
Non-current assets	38,803	317,045
Current liabilities	(19,993)	(163,355)
Non-current liabilities	(27,506)	(224,741)
Non-controlling interests	(5,092)	(41,611)
Assets and liabilities related to business succession		
Current assets	¥ 34,972	$ 285,745
Non-current assets	18,509	151,233
Current liabilities	(22,786)	(186,179)
Non-current liabilities	(14,812)	(121,024)
Non-controlling interests	(47)	(386)
Other	1,138	9,304
Loss on business restructuring	(25,116)	(205,213)
Sub-Total	11,482	93,814
Value of stock transferred	8,132	66,443
Business succession amount	3,350	27,371
Sub-Total	11,482	93,814
Investment securities received as consideration	(3,350)	(27,371)
Cash and cash equivalents	(5,550)	(45,351)
Incidental expenses	(873)	(7,140)
Net: Proceeds from sales of subsidiaries' shares resulting in change in scope of consolidation	¥ 1,707	$ 13,951

Note 11 Lease Transactions

1. Operating lease transactions (lessee)
Future minimum lease payments for non-cancelable operating leases

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Within 1 year	¥ 2,793	¥ 2,750	$ 22,822
Over 1 year	19,775	21,464	161,577
Total	¥ 22,568	¥ 24,215	$ 184,400

2. Operating lease transactions (lessor)
Future minimum lease income for non-cancelable operating leases

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Within 1 year	¥ 999	¥ 867	$ 8,167
Over 1 year	1,407	1,681	11,498
Total	¥ 2,406	¥ 2,548	$ 19,666

Note 12 Financial Instruments

1. Matters concerning the status of financial instruments
(1) Policy for dealing with financial instruments
The Group raises the necessary funds (mainly through bank loans and issuance of corporate bonds) for its capital expenditure plans to conduct its business. The Group invests temporary surplus funds in highly secured financial assets and raises short-term working capital through bank loans and commercial papers.

The Group utilizes derivative transactions for managing financial risks as described below and does not intend on operating speculative transactions.

(2) Contents of financial instruments and the risks involved in the financial instruments
Notes receivable and accounts receivable - trade are exposed to customers' credit risk. As trade receivables denominated in foreign currencies arising from the development of global business are exposed to foreign currency exchange fluctuation risk, they are principally hedged using forward foreign exchange contracts. Investment securities mainly consist of shares related to business or capital alliance with customers and suppliers, and are exposed to the risk of market price fluctuations.

Notes and accounts payable - trade will be due and payable within 1 year. As certain payables in foreign currencies arising from the import of raw materials are exposed to exchange rate fluctuation risk, they are principally hedged using forward foreign exchange contracts. Short-term borrowings and commercial papers are used for raising funds related to operating transactions. Long-term borrowings and bonds payable are used mainly for raising the necessary funds related to capital expenditure. The longest maturity of them expires in 2033. As some of them with floating interest rates are exposed to interest rate fluctuation risk, they are hedged using derivative transactions (interest rate swaps).

Derivative transactions mainly include forward foreign exchange contracts and currency swaps for the purpose of hedging exchange rate fluctuation risk on transactions denominated in foreign currencies, commodity forward contracts and commodity price swaps for the purpose of hedging commodity price fluctuation risk on nonferrous metals and interest rate swaps for the purpose of hedging interest rate fluctuation risk on borrowings and reducing fund raising costs. Interest rate swaps which convert fixed interest rates into floating rates are exposed to market interest rate fluctuation risk. For hedging instruments and hedged items, hedging policy, assessment method for hedge effectiveness and others related to hedge accounting, please see "4. Significant accounting policies, (6) Method of principal hedge accounting in "Note 1 Basis of Preparation of Consolidated Financial Statements" as described above.

(3) Risk management system for financial instruments
(a) Credit risk management (customers' default risk)
In the Company, sales departments of each in-house company regularly monitor the status of major business partners, manage payment dates and balances of trade receivables of each business partner in order to discover at an early stage and mitigate any concerns for collection due to the deterioration of financial conditions in accordance with the Credit Management Rules. Consolidated subsidiaries also conduct similar management activities in accordance with the Credit Management Rules of the Company based on the Group Accounting Regulations.

Regarding the use of derivative financial instruments, the Group deals only with highly creditworthy domestic and foreign banks, securities companies or trading firms to mitigate the default risk.

(b) Market risk management (exchange rate and interest rate fluctuation risks)
The Company and its certain consolidated subsidiaries use principally forward exchange contracts to hedge foreign currency exchange fluctuation risk by currency and on a monthly basis for trade receivables and payables denominated in foreign currencies as well as use interest rate swaps to manage interest rate fluctuation risk on borrowings.

As for investment securities, their market prices and the financial condition of issuers are continually monitored to manage the Group's holding status. With respect to derivative transactions, the Company has set "Operation Standard Rules" and its supplementary rules "Operational Standards of Derivative Transactions" as the corporate rules and established "Operating Rules" and "Operation Standards of Derivative Transactions" corresponding to types of business of each in-house company as individual rules. In accordance with the authority for and the limit amount of transaction provided in these operational standards, forward foreign exchange contracts are executed and controlled by the Finance Department and other responsible departments; interest rate swaps are executed and controlled by the Finance Department; and commodity forward contracts are executed and controlled by each responsible department. Furthermore, departments executing derivative transactions are required to report the status and results of derivative transactions to the Internal Audit Department at the end of each term (including end of second quarter).

Consolidated subsidiaries utilizing derivative transactions also have provided their own operational standards individually pre-approved by the Company and operate derivative transactions within the scope.

(c) Liquidity risk management on fund raising (risk of failure to make payment on the relevant payment date)
The Group manages its liquidity risk by each company preparing and updating cash flow plan on a timely basis.

(4) Supplemental information on the matters related to the fair value of financial instruments
Fair values of financial instruments include values based on market prices and values reasonably calculated if there is no market price. Because variable factors are incorporated in calculating the relevant values, the market values may vary depending on the different assumptions. The contract amounts described in "Note 14 Derivative Transactions" represent the nominal contract amount or notional principal amount based on calculation and do not themselves indicate the market risk or credit risk of derivative transactions.

2. Matters related to the fair values of financial instruments
Amount recorded in the consolidated balance sheets, fair value of the financial instruments and the difference between them are as follows:
Cash is omitted from Notes. Also, deposits, notes receivable-trade, accounts receivable-trade, notes and accounts payable-trade, short-term borrowings and commercial papers are omitted because they are made settlement short term and their carrying amount approximate the fair values.

Current Consolidated fiscal year (As of March 31, 2022)

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Investment securities (*1)						
Shares of subsidiaries and affiliates	¥ 13,964	¥ 9,545	¥ (4,418)	$ 114,097	$ 77,994	$ (36,102)
Available-for-sale securities	66,352	66,352	—	542,138	542,138	—
Total assets	80,316	75,897	(4,418)	656,235	620,132	(36,102)
(2) Current portion of bonds payable	10,000	9,998	(2)	81,706	81,689	(16)
(3) Bonds payable	70,000	69,592	(408)	571,942	568,608	(3,333)
(4) Long-term borrowings	327,405	333,960	6,555	2,675,101	2,728,660	53,559
Total liabilities	407,405	413,550	6,145	3,328,749	3,378,958	50,209
Derivative transactions (*2)						
(a) Derivative to which hedge accounting is not applied	13,318	13,318	—	108,819	108,819	—
(b) Derivative to which hedge accounting is applied	(1,282)	(1,612)	(330)	(10,475)	(13,176)	(2,701)
Total derivative transactions	¥ (12,036)	¥ (11,705)	¥ (330)	$ 98,344	$ 95,643	$ (2,701)

(*1) The following financial instruments are excluded from (1) Investment securities due to no fair values.

	Millions of yen	Thousands of U.S. dollars
Shares of subsidiaries and affiliates (unlisted shares)	¥ 74,905	$ 612,027
Available-for-sale securities (unlisted shares)	¥ 10,009	$ 81,783

(*2) Net receivables and payables arising from derivative transactions are presented in net value. Total net payables are presented in parenthesis.

Previous consolidated fiscal year (As of March 31, 2021)

	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Investment securities (*1)			
Shares of subsidiaries and affiliates	¥ 13,085	¥ 11,253	¥ (1,832)
Available-for-sale securities	120,232	120,232	—
Total assets	133,318	131,485	(1,832)
(1) Current portion of bonds payable	20,000	19,990	(10)
(2) Bonds payable	40,000	39,814	(186)
(3) Long-term borrowings	353,795	362,103	8,307
Total liabilities	413,795	421,907	8,111
Derivative transactions (*2)			
(a) Derivative to which hedge accounting is not applied	283	283	—
(b) Derivative to which hedge accounting is applied	(1,919)	(2,528)	(609)
Total derivative transactions	¥ (1,636)	¥ (2,245)	¥ (609)

(*1) The following financial instruments are excluded from (1) Investment securities due to no fair values and extreme difficulty to determine.

	Millions of yen
Shares of subsidiaries and affiliates (unlisted shares)	¥ 77,131
Available-for-sale securities (unlisted shares)	¥ 7,027

(*2) Net receivables and payables arising from derivative transactions are presented in net value. Total net payables are presented in parenthesis.

Notes:

1. Scheduled redemption amount of monetary assets after the consolidated closing date

Current consolidated fiscal year (As of March 31, 2022)

	Millions of yen					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Cash and deposits	¥ 159,221	¥ —	¥ —	¥ —	¥ —	¥ —
Notes receivable – trade	30,302	—	—	—	—	—
Accounts receivable – trade	219,543	—	—	—	—	—
Total	¥ 409,067	¥ —	¥ —	¥ —	¥ —	¥ —

	Thousands of U.S. dollars					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Cash and deposits	$ 1,300,934	$ —	$ —	$ —	$ —	$ —
Notes receivable – trade	247,587	—	—	—	—	—
Accounts receivable – trade	1,793,805	—	—	—	—	—
Total	$ 3,342,328	$ —	$ —	$ —	$ —	$ —

Previous consolidated fiscal year (As of March 31, 2021)

	Millions of yen					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Cash and deposits	¥ 153,086	¥ —	¥ —	¥ —	¥ —	¥ —
Notes receivable – trade	29,788	—	—	—	—	—
Accounts receivable – trade	190,733	—	—	—	—	—
Total	¥ 373,609	¥ —	¥ —	¥ —	¥ —	¥ —

2. Repayment schedule of short-term borrowings, bonds payable and long-term borrowings after the consolidated closing date

Current consolidated fiscal year (As of March 31, 2022)

	Millions of yen					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term borrowings	¥ 171,304	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial papers	30,000	—	—	—	—	—
Bonds payable	10,000	—	10,000	—	30,000	30,000
Long-term borrowings	—	45,438	55,537	134,293	31,503	60,632
Total	¥ 211,304	¥ 45,438	¥ 65,537	¥ 134,293	¥ 61,503	¥ 90,632

	Thousands of U.S. dollars					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term borrowings	$ 1,399,659	$ —	$ —	$ —	$ —	$ —
Commercial papers	245,118	—	—	—	—	—
Bonds payable	81,706	—	81,706	—	245,118	245,118
Long-term borrowings	—	371,259	453,778	1,097,254	257,404	495,404
Total	$ 1,726,483	$ 371,259	$ 535,484	$ 1,097,254	$ 502,522	$ 740,522

Previous consolidated fiscal year (As of March 31, 2021)

	Millions of yen					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term borrowings	¥ 175,686	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial papers	40,000	—	—	—	—	—
Bonds payable	20,000	10,000	—	10,000	—	20,000
Long-term borrowings	—	31,701	50,007	49,600	131,902	90,582
Total	¥ 235,686	¥ 41,701	¥ 50,007	¥ 59,600	¥ 131,902	¥ 110,582

3. Breakdown of Fair Value of Financial Instruments by Level

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable fair value inputs based on (unadjusted) quoted market prices in active markets for identical assets or liabilities

Level 2 fair value: Fair value measured using directly or indirectly observable fair value inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable fair value inputs

When multiple inputs that have a significant impact on fair value measurement are used, fair value is classified to the level with the lowest priority in the fair value measurement among the levels to which those inputs belong.

(1) Financial assets and liabilities recorded at fair value on the Consolidated Balance Sheets

Current consolidated fiscal year (As of March 31, 2022)

	Millions of yen			
	Level1	Level2	Level3	Total
(1) Investment securities:				
Shares of subsidiaries and affiliates	¥ —	¥ —	¥ —	¥ —
Available-for-sale securities	66,352	—	—	66,352
Total assets	66,352	—	—	66,352
(2) Current portion of bonds payable	—	—	—	—
(3) Bonds payable	—	—	—	—
(4) Long-term borrowings	—	—	—	—
Total liabilities	—	—	—	—
Derivative transactions				
(a) Derivative to which hedge accounting is not applied	14,875	(1,556)	—	13,318
(b) Derivative to which hedge accounting is applied	69	(1,351)	—	(1,282)
Total derivative transactions	¥ 14,944	¥ (2,908)	¥ —	¥ 12,036

	Thousands of U.S. dollars			
	Level1	Level2	Level3	Total
(1) Investment securities:				
Shares of subsidiaries and affiliates	$ —	$ —	$ —	$ —
Available-for-sale securities	542,138	—	—	542,138
Total assets	542,138	—	—	542,138
(2) Current portion of bonds payable	—	—	—	—
(3) Bonds payable	—	—	—	—
(4) Long-term borrowings	—	—	—	—
Total liabilities	—	—	—	—
Derivative transactions				
(a) Derivative to which hedge accounting is not applied	121,539	(12,719)	—	108,819
(b) Derivative to which hedge accounting is applied	567	(11,042)	—	(10,475)
Total derivative transactions	$ 122,106	$ (23,762)	$ —	$ 98,344

(2) Financial assets and liabilities not recorded at fair value on the Consolidated Balance Sheets

Current consolidated fiscal year (As of March 31, 2022)

	Millions of yen			
	Level1	Level2	Level3	Total
(1) Investment securities:				
Shares of subsidiaries and affiliates	¥ 9,545	¥ —	¥ —	¥ 9,545
Available-for-sale securities	—	—	—	—
Total assets	9,545	—	—	9,545
(2) Current portion of bonds payable	—	9,998	—	9,998
(3) Bonds payable	—	69,592	—	69,592
(4) Long-term borrowings	—	333,960	—	333,960
Total liabilities	—	413,550	—	413,550
Derivative transactions (*)				
(a) Derivative to which hedge accounting is not applied	—	—	—	—
(b) Derivative to which hedge accounting is applied	—	(330)	—	(330)
Total derivative transactions	¥ —	¥ (330)	¥ —	¥ (330)

	Thousands of U.S. dollars			
	Level1	Level2	Level3	Total
(1) Investment securities:				
Shares of subsidiaries and affiliates	$ 77,994	$ —	$ —	$ 77,994
Available-for-sale securities	—	—	—	—
Total assets	77,994	—	—	77,994
(2) Current portion of bonds payable	—	81,689	—	81,689
(3) Bonds payable	—	568,608	—	568,608
(4) Long-term borrowings	—	2,728,660	—	2,728,660
Total liabilities	—	3,378,958	—	3,378,958
Derivative transactions (*)				
(a) Derivative to which hedge accounting is not applied	—	—	—	—
(b) Derivative to which hedge accounting is applied	—	(2,701)	—	(2,701)
Total derivative transactions	$ —	$ (2,701)	$ —	$ (2,701)

Note:

Explanation of valuation techniques used to measure fair value and inputs related to the fair value measurement

Investment securities

The fair values of listed shares and government bonds are measured based on market prices at the end of the period and are classified as Level 1 fair value because they are measured based on market prices for identical assets in active markets.

Derivative transactions

The fair values of derivative assets and derivative liabilities are based on prices measured by counterparty financial institutions based on market data, etc., and are classified as Level 2 fair values.

The fair value of derivatives related to precious metals is measured based on the market price of the identical assets in an active market at the end of the period and is classified as Level 1 fair value.

Bonds payable

Since the fair value of bonds payable is based on market data, and is classified as Level 2 fair value.

Long-term borrowings

Long-term borrowings with floating interest rates are recorded at their carrying amount, as their fair value approximates their carrying amount due to the fact that floating interest rates reflect market interest rates in a short period of time.

Long-term borrowings with fixed interest rates are classified as Level 2 fair value because the fair value is measured by discounting the total principal and interest based on market data at the interest rate that would be applicable to a similar new loan.

Note 13 Securities

1. Available-for-sale securities

Current consolidated fiscal year (As of March 31, 2022)

		Millions of yen			Thousands of U.S. dollars		
	Type	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
Securities with carrying amount exceeding acquisition cost	Shares	¥ 64,724	¥ 26,386	¥ 38,337	$ 528,835	$ 215,591	$ 313,244
	Bonds	78	76	1	637	624	12
	Other	—	—	—	—	—	—
	Total	¥ 64,802	¥ 26,462	¥ 38,339	$ 529,473	$ 216,215	$ 313,257
Securities with carrying amount not exceeding acquisition cost	Shares	¥ 1,550	¥ 1,990	¥ (440)	$ 12,664	$ 16,260	$ (3,595)
	Bonds	—	—	—	—	—	—
	Other	—	—	—	—	—	—
	Total	¥ 1,550	¥ 1,990	¥ (440)	$ 12,664	$ 16,260	$ (3,595)

Note:

Unlisted shares (¥10,009 million ($81,783 thousand) as recorded in the consolidated balance sheets) are not included in "Available-for-sale securities" above due to no market price.

Previous consolidated fiscal year (As of March 31, 2021)

		Millions of yen		
	Type	Carrying amount	Acquisition cost	Difference
Securities with carrying amount exceeding acquisition cost	Shares	¥ 115,745	¥ 53,112	¥ 62,632
	Bonds	52	52	0
	Other	—	—	—
	Total	¥ 115,797	¥ 53,164	¥ 62,633
Securities with carrying amount not exceeding acquisition cost	Shares	¥ 4,434	¥ 4,941	¥ (507)
	Bonds	—	—	—
	Other	—	—	—
	Total	¥ 4,434	¥ 4,941	¥ (507)

Note:

Unlisted shares (¥7,027 million as recorded in the consolidated balance sheets) are not included in "Available-for-sale securities" above due to no market price and extreme difficulty to determine their fair values.

2. Available-for-sale securities sold

Current consolidated fiscal year (As of March 31, 2022)

	Millions of yen			Thousands of U.S. dollars		
Type	Total proceeds from sales	Total gain on sales	Total loss on sales	Total proceeds from sales	Total gain on sales	Total loss on sales
Shares	¥ 59,135	¥ 29,710	¥ 618	$ 483,174	$ 242,753	$ 5,056
Bonds	53	—	—	437	—	—
Other	—	—	—	—	—	—
Total	¥ 59,189	¥ 29,710	¥ 618	$ 483,611	$ 242,753	$ 5,056

Previous consolidated fiscal year (As of March 31, 2021)

	Millions of yen		
Type	Total proceeds from sales	Total gain on sales	Total loss on sales
Shares	¥ 65,716	¥ 28,044	¥ 1,750
Bonds	27	—	—
Other	—	—	—
Total	¥ 65,743	¥ 28,044	¥ 1,750

3. Securities on which impairment losses are recorded

The investment securities were impaired by ¥369 million ($3,016 thousand) for the current consolidated fiscal year and ¥321 million for the previous consolidated fiscal year.

If the fair value of any security at the end of the period declined by 50% or more of the acquisition cost, the decrease amount is all recorded as impairment loss. If the fair value at the end of the period declined by 30% to 50% of the acquisition cost, the impairment loss shall be recorded in an amount deemed necessary by considering the recoverability, etc. of each of the securities.

Note 14 Derivative Transactions

1. Derivative transactions to which hedge accounting is not applied

(1) Currency related

Current consolidated fiscal year (As of March 31, 2022)

Classification	Type of transactions	Contract amount (Millions of yen)	Contract amount over 1 year (Millions of yen)	Fair value (Millions of yen)	Gain (Loss) (Millions of yen)
Transactions other than market transactions	Forward foreign exchange contracts:				
	Sell				
	U.S. dollars	¥ 10,935	¥ —	¥ (246)	¥ (246)
	Other	1,772	—	(27)	(27)
	Buy				
	U.S. dollars	1,419	—	(14)	(14)
	Other	1,290	—	(32)	(32)
	Currency swaps:				
	Pay Japanese yen / Receive U.S. dollars	—	—	—	—
	Total	¥ —	¥ —	¥ —	¥ (321)

Classification	Type of transactions	Contract amount (Thousands of U.S. dollars)	Contract amount over 1 year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)	Gain (Loss) (Thousands of U.S. dollars)
Transactions other than market transactions	Forward foreign exchange contracts:				
	Sell				
	U.S. dollars	$ 89,348	$ —	$ (2,017)	$ (2,017)
	Other	14,482	—	(224)	(224)
	Buy				
	U.S. dollars	11,594	—	(120)	(120)
	Other	10,545	—	(267)	(267)
	Currency swaps:				
	Pay Japanese yen / Receive U.S. dollars	—	—	—	—
	Total	$ —	$ —	$ —	$ (2,630)

Previous consolidated fiscal year (As of March 31, 2021)

Classification	Type of transactions	Contract amount (Millions of yen)	Contract amount over 1 year (Millions of yen)	Fair value (Millions of yen)	Gain (Loss) (Millions of yen)
Transactions other than market transactions	Forward foreign exchange contracts:				
	Sell				
	U.S. dollars	¥ 3,781	¥ —	¥ (128)	¥ (128)
	Other	924	—	2	2
	Buy				
	U.S. dollars	3,558	—	(19)	(19)
	Other	1,159	93	(1)	(1)
	Currency swaps:				
	Pay Japanese yen / Receive U.S. dollars	—	—	—	—
	Total	¥ —	¥ —	¥ —	¥ (146)

Note:

Calculation method of fair value

Fair value is determined based on the price obtained from financial institution.

(2) Interest rate related

Current consolidated fiscal year (As of March 31, 2022)

Not applicable

Previous consolidated fiscal year (As of March 31, 2021)

Not applicable

(3) Interest rate and currency related

Current consolidated fiscal year (As of March 31, 2022)

Not applicable

Previous consolidated fiscal year (As of March 31, 2021)

Not applicable

(4) Commodity related

Current consolidated fiscal year (As of March 31, 2022)

Classification	Type of transactions	Contract amount (Millions of yen)	Contract amount over 1 year (Millions of yen)	Fair value (Millions of yen)	Gain (Loss) (Millions of yen)
Transactions other than market transactions	Nonferrous metals forward contracts:				
	Sell	¥ 59,976	¥ —	¥ (1,853)	¥ (1,853)
	Buy	151,804	—	15,494	15,494
	Total	¥ —	¥ —	¥ —	¥ 13,640

Classification	Type of transactions	Contract amount (Thousands of U.S. dollars)	Contract amount over 1 year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)	Gain (Loss) (Thousands of U.S. dollars)
Transactions other than market transactions	Nonferrous metals forward contracts:				
	Sell	$ 490,047	$ —	$ (15,146)	$ (15,146)
	Buy	1,240,335	—	126,596	126,596
	Total	$ —	$ —	$ —	$ 111,450

Previous consolidated fiscal year (As of March 31, 2021)

Classification	Type of transactions	Contract amount (Millions of yen)	Contract amount over 1 year (Millions of yen)	Fair value (Millions of yen)	Gain (Loss) (Millions of yen)
Transactions other than market transactions	Nonferrous metals forward contracts:				
	Sell	¥ 46,893	¥ —	¥ 957	¥ 957
	Buy	135,259	—	(527)	(527)
	Total	¥ —	¥ —	¥ —	¥ 430

Note:

Calculation method of fair value

Fair value is determined based on the price obtained from financial institution.

2. Derivative transactions to which hedge accounting is applied

(1) Currency related

Current consolidated fiscal year (As of March 31, 2022)

Hedge accounting method	Type of transactions	Major hedged items	Contract amount (Millions of yen)	Contract amount over 1 year (Millions of yen)	Fair value (Millions of yen)
Principle method	Forward foreign exchange contracts:	Accounts receivable, accounts payable			
	Sell				
	U.S. dollars		¥ 95,776	¥ 771	¥ (4,199)
	Other		1,234	—	(77)
	Buy				
	U.S. dollars		252	—	2
	Other		7	—	0
Hedged items are translated using forward contract rates	Forward foreign exchange contracts:	Accounts receivable, accounts payable			Note
	Sell				
	U.S. dollars		¥ 9,269	¥ —	
	Other		4,160	—	
	Buy				
	U.S. dollars		1,282	—	
	Other		297	—	
Hedged items are translated using currency swaps	Currency swaps:	Long-term borrowings			
	Pay Japanese yen / Receive U.S. dollars		¥ 4,000	¥ 4,000	

Thousands of U.S. dollars

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Principle method	Forward foreign exchange contracts:	Accounts receivable, accounts payable			
	Sell				
	U.S. dollars		$ 782,554	$ 6,301	$ (34,310)
	Other		10,085	—	(633)
	Buy				
	U.S. dollars		2,061	—	20
	Other		57	—	2
Hedged items are translated using forward contract rates	Forward foreign exchange contracts:	Accounts receivable, accounts payable			Note
	Sell				
	U.S. dollars		$ 78,675	$ —	
	Other		33,990	—	
	Buy				
	U.S. dollars		10,480	—	
	Other		2,426	—	
Hedged items are translated using currency swaps	Currency swaps: Pay Japanese yen / Receive U.S. dollars	Long-term borrowings	$ 32,682	$ 32,682	

Note:
Fair value of forward foreign exchange contracts, etc. to which designated hedge accounting is applied is included in the fair value of the related accounts receivable - trade, accounts payable - trade and long-term borrowings, because these derivative financial instruments are accounted integrally with the hedged items.

Previous consolidated fiscal year (As of March 31, 2021)

Millions of yen

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Principle method	Forward foreign exchange contracts:	Accounts receivable, accounts payable			
	Sell				
	U.S. dollars		¥ 66,472	¥ 613	¥ (2,539)
	Other		408	—	(11)
	Buy				
	U.S. dollars		277	—	3
	Other		355	—	14
Hedged items are translated using forward contract rates	Forward foreign exchange contracts:	Accounts receivable, accounts payable			Note 2
	Sell				
	U.S. dollars		¥ 8,195	¥ —	
	Other		4,797	—	
	Buy				
	U.S. dollars		1,158	—	
	Other		211	—	
Hedged items are translated using currency swaps	Currency swaps: Pay Japanese yen / Receive U.S. dollars	Long-term borrowings	¥ 7,000	¥ 4,000	

Notes:
1. Calculation method of fair value
   Fair value is determined based on the price obtained from financial institutions.
2. Fair value of forward foreign exchange contracts, etc. to which designated hedge accounting is applied is included in the fair value of the related accounts receivable-trade, accounts payable - trade and long-term borrowings, because these derivative financial instruments are accounted integrally with the hedged items.

(2) Interest rate related
Current consolidated fiscal year (As of March 31, 2022)

Millions of yen

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swaps: Pay fixed rate / receive floating rate	Long-term borrowings	¥ 27,609	¥ 23,500	¥ (330)

Thousands of U.S. dollars

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swaps: Pay fixed rate / receive floating rate	Long-term borrowings	$ 225,582	$ 192,009	$ (2,701)

Previous consolidated fiscal year (As of March 31, 2021)

Millions of yen

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swaps: Pay fixed rate / receive floating rate	Long-term borrowings	¥ 28,523	¥ 28,309	¥ (609)

Note:
Calculation method of fair value
Fair value is determined based on the price obtained from financial institution.

(3) Interest rate and currency related
Current consolidated fiscal year (As of March 31, 2022)

Millions of yen

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Principle method	Interest rate and currency swaps: Indonesian rupiah pay fixed / U.S. dollars receive floating	Long-term borrowings	¥ 183	¥ 66	¥ 11

Thousands of U.S. dollars

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Principle method	Interest rate and currency swaps: Indonesian rupiah pay fixed / U.S. dollars receive floating	Long-term borrowings	$ 1,495	$ 541	$ 91

Previous consolidated fiscal year (As of March 31, 2021)

Millions of yen

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Principle method	Interest rate and currency swaps: Indonesian rupiah pay fixed / U.S. dollars receive floating	Long-term borrowings	¥ 592	¥ 491	¥ 28

Note:
Calculation method of fair value
Fair value is determined based on the price obtained from financial institution.

(4) Commodity related
Current consolidated fiscal year (As of March 31, 2022)

Millions of yen

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Principle method	Nonferrous metals forward contracts:	Accounts receivable, accounts payable			
	Sell		¥ 197,530	¥ 15,053	¥ (13,327)
	Buy		188,741	10,535	16,308

Thousands of U.S. dollars

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Principle method	Nonferrous metals forward contracts:	Accounts receivable, accounts payable			
	Sell		$ 1,613,941	$ 122,996	$ (108,892)
	Buy		1,542,130	86,078	133,246

Previous consolidated fiscal year (As of March 31, 2021)

Millions of yen

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Principle method	Nonferrous metals forward contracts:	Accounts receivable, accounts payable			
	Sell		¥ 52,977	¥ 11,688	¥ (4,166)
	Buy		25,744	1,976	4,752

Note:
Calculation method of fair value
Fair value is determined based on the price obtained from financial institution.

Note 15 Retirement Benefit

1. Overview of the adopted retirement benefit plans

The Company and its consolidated subsidiaries have funded and unfunded defined benefit pension plans and defined contribution plans to cover the benefits payable for all employees under these plans. Under the funded defined benefit pension plans, benefits are calculated based on the job qualifications and length of service and are paid at a lump-sum or in annuities.

Under the lump sum retirement plan (they are principally unfunded plans, but some plans are of a funded-type as a result of the establishment of a retirement benefit trust), benefits are calculated based on the job qualifications and length of service, and are paid at a lump-sum.

Certain consolidated subsidiaries calculate their retirement benefit liability and retirement benefit expenses based on the simplified method.

2. Defined benefit pension plans

(1) Reconciliation of the beginning balance and the ending balance of retirement benefit obligation (excluding plans listed in (3) to which the simplified method is applied)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of period	¥ 143,256	¥ 146,694	$ 1,170,495
Service costs	5,328	5,778	43,534
Interest costs	259	298	2,123
Actuarial gains and losses	402	(16)	3,286
Benefit paid	(7,196)	(7,797)	(58,801)
Past service costs	(758)	550	(6,198)
Decrease due to exclusion from consolidation	(22,646)	(2,841)	(185,038)
Other	43	590	351
Balance at end of period	¥ 118,688	¥ 143,256	$ 969,753

(2) Reconciliation of the beginning balance and the ending balance of plan assets (excluding plans listed in (3) to which the simplified method is applied)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of period	¥ 107,840	¥ 95,955	$ 881,119
Expected return on plan assets	1,878	1,819	15,351
Actuarial gains and losses	(548)	11,581	(4,480)
Contribution to the plan by the employer	2,705	5,269	22,106
Benefits paid	(3,293)	(4,104)	(26,913)
Decrease due to exclusion from consolidation	(13,779)	(1,828)	(112,582)
Other	(1,390)	(854)	(11,358)
Balance at end of period	¥ 93,413	¥ 107,840	$ 763,241

(3) Reconciliation of the beginning balance and the ending balance of retirement benefit liability under the plans to which the simplified method is applied

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of period	¥ 1,897	¥ 2,361	$ 15,507
Retirement benefit expenses	215	240	1,759
Benefits paid	(107)	(190)	(875)
Contribution to the plan	(21)	(35)	(174)
Decrease due to exclusion from consolidation	(128)	(175)	(1,052)
Other	—	(302)	—
Balance at end of period	Y 1,855	¥ 1,897	$ 15,163

(4) Reconciliation between the ending balance of retirement benefit obligation and plan assets, and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Funded retirement benefit obligation	¥ 113,004	¥ 133,173	$ 923,315
Plan assets	(93,413)	(108,248)	(763,241)
	19,591	24,925	160,073
Unfunded retirement benefit obligation	7,539	12,389	61,602
Net liability (asset) recorded in the consolidated balance sheets	¥ 27,130	¥ 37,314	$ 221,676

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net retirement benefits liability	¥ 35,228	¥ 42,249	$ 287,841
Net retirement benefits asset	(8,097)	(4,934)	(66,165)
Net liability (asset) recorded in the consolidated balance sheets	¥ 27,130	¥ 37,314	$ 221,676

Note:
The plan to which the simplified method is applied is included.

(5) Retirement benefit expenses and their components

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service costs	¥ 5,543	¥ 6,018	$ 45,287
Interest costs	259	298	2,116
Expected return on plan assets	(1,878)	(1,819)	(15,344)
Amortization of actuarial gains and losses	1,568	2,685	12,811
Amortization of past service costs	(53)	(189)	(433)
Retirement benefit costs on defined benefit plans	¥ 5,440	¥ 6,993	$ 44,446

Note:
Retirement benefit expenses for the plan to which the simplified method is applied are included in “Service costs”. In addition, the company recorded special retirement expenses ¥1,726 million ($14,106 thousand) to special retirement expenses as extraordinary losses in the current consolidated fiscal year.

(6) Remeasurements of defined benefit pension plans

Remeasurements of defined benefit pension plans (before adjusting for tax effects) are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Past service costs	¥ 704	¥ (740)	$ 5,750
Actuarial gains or losses	193	14,270	1,580
Total	¥ 897	¥ 13,529	$ 7,330

(7) Accumulated remeasurements of defined benefit pension plans

Components of accumulated remeasurements of defined benefit pension plans (before adjusting for tax effects) are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrecognized past service costs	¥ 106	¥ 822	$ 872
Unrecognized actuarial gains or losses	2,970	2,396	24,267
Total	¥ 3,076	¥ 3,218	$ 25,140

(8) Plan assets

(a) Major components of plan assets

The ratio of each main category to total plan assets is as follows:

	2022	2021
Bonds	36%	36%
Shares	45	46
Life insurance (general accounts)	12	12
Cash and deposits	6	6
Other	1	0
Total	100%	100%

Note:

Total plan assets include 26% of retirement benefit trust established on retirement lump sum grants or corporate pension plans for the current consolidated fiscal year and 24% of the trust for the previous consolidated fiscal year.

(b) Method of establishment of the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined by considering the current and expected allocation of plan assets, and long-term rates of return which are expected currently and in the future from the various assets which are included in the plan assets.

(9) Matters concerning actuarial calculation basis

Main actuarial calculation basis

	2022	2021
Discount rate	Mainly 0.05%	Mainly 0.05%
Long-term expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%

3. Defined contribution plans

The amount of required contributions to the defined contribution plans of the Company and its consolidated subsidiaries were ¥1,690 million ($13,811 thousand) for the current consolidated fiscal year and ¥1,242 million for the previous consolidated fiscal year respectively.

Note 16 Tax Effect Accounting

1. Major components of deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Tax loss carried forward (*2)	¥ 33,874	¥ 35,963	$ 276,776
Loss on valuation of investment securities	15,499	11,127	126,638
Impairment loss on non-current assets	14,520	16,786	118,637
Retirement benefit liability	10,986	13,175	89,768
Retirement benefit trust asset	8,123	7,662	66,374
Provision for environmental measures	5,745	8,131	46,940
Deferred gains or losses on hedges	5,151	1,818	42,089
Unrealized gain	5,079	3,877	41,503
Loss on valuation of buildings	3,731	3,852	30,485
Provision for bonuses	3,713	3,950	30,340
Loss on valuation of inventories	2,543	4,502	20,785
Excess of depreciation	2,052	5,379	16,772
Allowance for doubtful accounts	1,881	1,841	15,372
Other	12,706	12,934	103,819
Sub-total	¥ 125,609	¥ 131,005	$ 1,026,307
Valuation allowance for tax loss carried forward (*2)	(27,606)	(31,663)	(225,557)
Valuation allowance for deductible temporary differences	(71,509)	(75,645)	(584,271)
Valuation allowance (*1)	(99,115)	(107,309)	(809,829)
Total deferred tax assets	26,494	23,695	216,478
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(11,576)	(18,792)	(94,584)
Investment difference in foreign consolidated subsidiaries	(9,176)	(6,569)	(74,981)
Deferred gains or losses on hedges	(4,595)	(1,328)	(37,551)
Revaluation of land, as a result of merger	(4,513)	(4,513)	(36,877)
Valuation difference on full market value method	(4,115)	(4,507)	(33,627)
Gain on contribution of securities to retirement benefit trust	(2,610)	(2,881)	(21,326)
Retained earnings of foreign consolidated subsidiaries	(2,478)	(1,930)	(20,246)
Accelerated depreciation of property, plant and equipment	(1,432)	(1,091)	(11,707)
Deferred gain on sale of property, plant and equipment	(388)	(432)	(3,173)
Reserve for mining exploration	(5)	(11)	(48)
Other	(4,146)	(2,998)	(33,875)
Total deferred tax liabilities	(45,039)	(45,057)	(367,999)
Net deferred tax assets (liabilities)	¥ (18,544)	¥ (21,361)	$ (151,521)

(*1) Valuation allowance decreased by ¥8,194 million ($66,955 thousand), because Mitsubishi Aluminum Co.,Ltd. has been excluded from the scope of consolidation.

(*2) Tax loss carried forward and the related deferred tax assets by expiration periods are as follows:

Current consolidated fiscal year (As of March 31, 2022)

	Millions of yen						
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax loss carried forward (*a)	¥ 682	¥ 451	¥ 2,079	¥ 722	¥ 195	¥ 29,743	¥ 33,874
Valuation allowance	(682)	(445)	(2,079)	(707)	(151)	(23,540)	(27,606)
Net deferred tax assets	¥ –	¥ 6	¥ –	¥ 15	¥ 44	¥ 6,203	¥ (*b) 6,268

	Thousands of U.S. dollars						
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax loss carried forward (*a)	$ 5,572	$ 3,692	$ 16,987	$ 5,900	$ 1,598	$ 243,025	$ 276,776
Valuation allowance	(5,572)	(3,640)	(16,987)	(5,777)	(1,237)	(192,342)	(225,557)
Net deferred tax assets	$ –	$ 51	$ –	$ 123	$ 360	$ 50,682	$ (*b) 51,218

(*a) The tax loss carried forward shown on the above table is after multiplying the statutory effective income tax rate.

(*b) Deferred tax assets of ¥6,268 million ($51,218 thousand) is recorded for the tax loss carried forward of ¥33,874 million ($276,776 thousand) (the amount multiplied by the statutory effective income tax rate). Valuation allowance is not recognized for the tax loss carried forward which is determined recoverable based on the expected amount of future taxable income.

Previous consolidated fiscal year (As of March 31, 2021)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
	Millions of yen						
Tax loss carried forward (*c)	¥ 838	¥ 622	¥ 460	¥ 2,455	¥ 879	¥ 30,708	¥ 35,963
Valuation allowance	(814)	(616)	(454)	(2,450)	(855)	(26,471)	(31,663)
Net deferred tax assets	¥ 23	¥ 5	¥ 5	¥ 5	¥ 24	¥ 4,236	¥ (*d) 4,300

(*c) The tax loss carried forward shown on the above table is after multiplying the statutory effective income tax rate.

(*d) Deferred tax assets of ¥4,300 million is recorded for the tax loss carried forward of ¥35,963 million (the amount multiplied by the statutory effective income tax rate). Valuation allowance is not recognized for the tax loss carried forward which is determined recoverable based on the expected amount of future taxable income.

2. The reconciliation between the statutory effective income tax rate and the actual income tax rate after applying tax effect accounting

	2022	2021
Statutory effective income tax rate	–%	30.6%
(Adjustments)		
Non-deductible permanent differences such as entertainment expenses	–	4.3
Temporary differences for which tax effect cannot be recognized	–	(2.9)
Differences in statutory effective income tax rates of consolidated subsidiaries	–	(8.1)
Equity in earnings of affiliates	–	(3.3)
Non-taxable permanent differences such as dividend income	–	(2.9)
Non-deductible foreign withholding taxes	–	7.5
Amortization of goodwill	–	3.1
Other	–	0.7
Actual income tax rate after applying tax effect accounting	–%	29.0%

Note is omitted because the difference between Statutory effective income tax rate and Actual income tax rate after applying tax effect accounting is 5/100 or less of the statutory effective tax rate in the current consolidated fiscal year.

Note 17 Business Combinations

Sale of subsidiary shares and succession of business

At a meeting of the Board of Directors held on November 25, 2021, the Company approved a resolution to conclude an agreement (hereinafter referred to as the "Agreement") to transfer all the shares of Universal Can Corporation (hereinafter referred to as "Uni-Can") and to succeed the Aluminum rolling and extrusion business of Mitsubishi Aluminum Co., Ltd. (hereinafter referred to as "Mitsubishi Aluminum," together with Uni-Can, the "Two Aluminum Companies") through an absorption-type company split to Showa Aluminum Can Corp. (hereinafter referred to as "Showa Alumi-Can"), which is owned by a fund managed by an affiliate of U.S.-based Apollo Global Management, Inc. (with its subsidiaries, hereinafter collectively referred to as "Apollo") (hereinafter collectively referred to as the "Reorganization"). On the same day, the Company entered into the Agreement with Showa Alumi-Can and executed the Reorganization as of March 31, 2022.

1. Overview of the transaction

(1) Sales of shares in subsidiary companies

(a) Tradename of the successor company

Showa Aluminum Can Corporation

(b) Description of divested business

Consolidated subsidiaries: Universal Can Corporation
Shinryo Aluminum Techno Corporation
Description of business: Manufacture and sale of aluminum beverage cans bodies (including aluminum beverage bottle can bodies) and aluminum beverage cans lids (including aluminum beverage bottle can lids)

(c) Date of the business divestiture

March 31, 2022

(d) Other matters concerning overview of the transaction including legal form

Share transfer in which the consideration received is only cash and other assets

(2) Succession of business

(a) Tradename of the successor company

Showa Aluminum Can Corporation

(b) Description of divested business

Aluminum rolling and extrusion business of Mitsubishi Aluminum Co., Ltd. (including the following consolidated subsidiaries and equity method affiliates)

Consolidated subsidiaries: MA PACKAGING Co., Ltd.
MA TRADING Co., Ltd.
TME Co., Ltd.
THERMALEX Inc.
MALC-THAI CO., LTD.
MA EXTRUSION INDIA PVT. LTD.
Affiliates: MUANG-MAX (THAILAND) CO., LTD.

(c) Date of the business divestiture

March 31, 2022

(d) Other matters concerning overview of the transaction including legal form

Business succession in which the consideration to be received is only shares

2. Main reason for carrying out the business divestiture

The Company entered the Aluminum rolling and extrusion business in 1962 and the Aluminum beverage cans business in 1972, and has operated both businesses for almost half a century. During this period, while facing rapid changes in the external environment, the Company has most recently supported the further growth of the Two Aluminum Companies, including the construction of a new line at Uni-Can in 2019 and a capital increase at Mitsubishi Aluminum in 2020. On the other hand, as part of the Medium-term Management Strategy, the Company has been optimizing its business portfolio and has been seeking opportunities for business restructuring while improving the profit structure of the Aluminum Business, for which synergies with our other businesses are difficult to find. Under these circumstances, the Company held a series of discussions with Apollo, which has global knowledge and management resources in the materials industry, including aluminum, regarding this Reorganization. As a result, the Company reached the conclusion that the best choice for the Company and the Two Aluminum Companies was to pursue the strengthening of business competitiveness under Apollo, and concluded the Agreement and executed this Reorganization.

3. Overview of the accounting treatment

(1) Amount of gain or loss on the transfer

Loss on business restructuring ¥25,116 million ($205,213 thousand)

(2) Appropriate carrying amounts of assets and liabilities of the transferred business, and major breakdown

Stock transfer

Current assets	¥33,412 million ($272,998 thousand)
Non-current assets	¥38,803 million ($317,045 thousand)
Total assets	¥72,215 million ($590,044 thousand)
Current liabilities	¥19,993 million ($163,355 thousand)
Non-current liabilities	¥27,506 million ($224,741 thousand)
Total liabilities	¥47,499 million ($388,097 thousand)

Business succession

Current assets	¥34,972 million ($285,745 thousand)
Non-current assets	¥18,509 million ($151,233 thousand)
Total assets	¥53,481 million ($436,978 thousand)
Current liabilities	¥22,786 million ($186,179 thousand)
Non-current liabilities	¥14,812 million ($121,024 thousand)
Total liabilities	¥37,598 million ($307,203 thousand)

(3) Accounting treatment

The difference between the carrying amount on a consolidated basis and the transfer price of Two Aluminum Companies was recorded as a business restructuring loss under extraordinary losses.

4. Reporting segment to which the transferred business of subsidiary company belonged

Other Businesses

5. Net sales and operating income for the transferred business on the consolidated statement of profit and loss for the current consolidated fiscal year

Net sales	¥115,411 million ($942,980 thousand)
Operating profit	¥3,233 million ($26,420 thousand)

Net sales and operating profit include intersegment transactions and do not correspond to net sales to outside customers as described in "(Revenue Recognition) 1. Information on breakdown of revenue from contracts with customers (1) Breakdown by reportable segment and business".

Note 18 Asset Retirement Obligation

Asset retirement obligation recorded in the consolidated balance sheets

1. Overview of asset retirement obligation

Costs for obligations of handling hazardous materials including asbestos and PCB, and costs for obligations of greening sites of coal and limestone mines set forth in various laws and regulations, are reasonably estimated and the asset retirement obligation are recorded.

2. Calculation method for amount of asset retirement obligation

The Group estimates the expected period until payment (maximum 64 years) and adopts discount rates from 0.1% to 2.7%.

3. Changes in total amount of asset retirement obligation

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of period	¥ 3,739	¥ 3,238	$ 30,553
Increase due to acquisitions of property, plant and equipment	94	607	773
Reconciliation due to passage of time	19	20	158
Decrease due to settlement of asset retirement obligations	(358)	(185)	(2,933)
Increase (decrease) due to changes in estimates	199	(35)	1,626
Foreign currency translation adjustments	236	118	1,935
Other	(29)	(24)	(243)
Balance at end of period	¥ 3,900	¥ 3,739	$ 31,871

Note 19 Investment and Rental Property

The Company and certain consolidated subsidiaries own rental office buildings and other rental properties in Osaka and other areas. The investment and rental property above include those used partly by the Company and certain consolidated subsidiaries.
The amount recorded in the consolidated balance sheets, changes during the period and its fair value are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Carrying amount			
Balance at beginning of period	¥ 50,285	¥ 52,729	$ 410,863
Increase (decrease) during period	(831)	(2,443)	(6,796)
Balance at end of period	49,453	50,285	404,066
Fair value at end of period	¥ 55,909	¥ 56,451	$ 456,816

Notes:
1. Carrying amount is calculated by deducting accumulated depreciation from acquisition cost.
2. Fair values of major properties at the end of period are based on appraisal by external or internal real estate appraisers.
Fair values of other properties at the end of period are calculated based on reasonable indices reflecting market prices such as posted prices or property tax valuation, etc.

Profit or loss concerning investment and rental property are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Investment and rental properties			
Rent income	¥ 4,712	¥ 4,785	$ 38,503
Rent expenses	3,108	3,298	25,402
Profit or loss	1,603	1,486	13,101
Impairment loss	¥ 46	¥ 30	$ 377

Note:
Rental expenses include costs related to depreciation, maintenance and repairs, insurance premiums, taxes and dues and others.

Note 20 Revenue Recognition

1. Information on breakdown of revenue from contracts with customers
(1) Breakdown by reportable segment and business
Current consolidated fiscal year (As of March 31, 2022)

Millions of yen

	Reporting Segment							Other Businesses			Total
	Advanced Products			Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business				
	Copper & copper alloy	Electronic materials and components	Sub-Total					Alminium Products	Other	Sub-Total	
Sales to outside customers	¥ 362,581	¥ 106,535	¥ 469,117	¥ 128,162	¥ 774,847	¥ 207,843	¥ 17,028	¥ 114,891	¥ 99,868	¥ 214,759	¥ 1,811,759

Thousands of U.S. dollars

	Reporting Segment							Other Businesses			Total
	Advanced Products			Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business				
	Copper & copper alloy	Electronic materials and components	Sub-Total					Alminium Products	Other	Sub-Total	
Sales to outside customers	$ 2,962,510	$ 870,458	$ 3,832,968	$ 1,047,165	$ 6,330,969	$ 1,698,209	$ 139,134	$ 938,733	$ 815,983	$ 1,754,716	$14,803,164

Note:
1. The amounts shown are after deducting intersegment sales or transfers.
2. ¥1,811,759 million ($14,803,164 thousand) of net sales reported in the Consolidated Statements of Profit or Loss for the current consolidated fiscal year mainly represents "revenue from contracts with customers," and the amount of revenue from other sources is not material.

(2) Breakdown of region
Current consolidated fiscal year (As of March 31, 2022)
As described in "Note 21 Segment Information 2. Related information (2) Information by region, (a) Net sales." ¥1,811,759 million ($14,803,164 thousand) of net sales reported in the Consolidated Statements of Profit or loss for the current consolidated fiscal year is primarily "revenue from contracts with customers", and the amount of revenue from other sources is not material.

2. Information that provides a basis for understanding the revenue arising from contracts with customers
As stated in "Note 1 Basis of Preparation of Consolidated Financial Statements 4. Significant accounting policies, (5) Basis for recording significant revenues and expenses ".

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized in the following fiscal year from contracts with customers that existed at the end of the current consolidated fiscal year.
(1) Balance of contract assets and contract liabilities

	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
	Balance as of April 1, 2021		Balance as of March 31, 2022	
Receivables arising from contracts with customers	¥ 211,108	$ 1,724,883	¥ 249,846	$ 2,041,393
Contract assets	11,934	97,511	8,889	72,632
Contract liabilities	15,842	129,441	21,906	178,988

Notes:
1. Contract assets related to the Group's rights to unclaimed consideration for revenue recognized based on the progress measured in the provision of services under construction work contracts. Contract assets become receivables arising from contracts with customers when the contract construction work is completed and the Group's rights to the consideration become unconditional.
2. Contract assets are included in "Other" under current assets in the Consolidated Balance Sheets.
3. Contract liabilities are advances received from customers prior to the delivery of construction work and product, which are reversed upon revenue recognition.
4. Contract liabilities are included in "Other" under current liabilities in the Consolidated Balance Sheets.
5. The amount of revenue recognized in the current consolidated fiscal year that was included in the balance of contract liabilities at the beginning of the period was not material.
6. The amount of revenue recognized from performance obligations satisfied in prior periods was not material in the current period.

(2) Transaction prices allocated to remaining performance obligations
The Group has no significant transactions with a forecasted contract term exceeding one year. Also, no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

Note 21 Segment Information

1. Segment information
(1) Overview of reporting segments
(a) Method to define reporting segments
The Group's reporting segments are those units of the Group for which discrete financial information is available and the segments are subject to regular review by the Board of Directors to decide allocation of management resources and to assess the performance.

The Group adopts an in-house company system and each in-house company and business division make comprehensive domestic and international strategies and conduct business activities with respect to the products and services handled.

Accordingly, the Group consists of segments by products and services based on in-house company and has 5 reporting segments of "Advanced Products", "Metalworking Solutions Business", "Metals Business", "Cement Business" and "Environment & Energy Business".

(b) Products and services which belong to each reporting segment
Major products of each business are as follows:
- •Advanced Products: Copper alloy products, electronic materials
- •Metalworking Solutions Business: Cemented carbide products
- •Metals Business: Copper smelting and refining (including copper, gold, silver, palladium, sulfuric acid and etc.)
- •Cement Business: Cement, aggregate, ready-mixed concrete, concrete products
- •Environment& Energy Business: Energy, environmental recycling

(2) Method of calculating the amounts of net sales, profit or loss, assets, liabilities and other items of each reporting segment
The accounting method for business segments reported is consistent with those stated in "Note 1 Basis of Preparation of Consolidated Financial Statements".
Segment profit is based on the ordinary profit.
Amount of revenues and transfer between the segment are based on current market price.

(3) Matters regarding the change of the reporting segments, among other changes
As described in Note 3 Changes in Accounting Policies, the "Accounting Standard for Revenue Recognition" and other related accounting standards were applied from the beginning of the current consolidated fiscal year, and the method of accounting for revenue recognition was changed, so the method of measuring profit by reportable segment was changed in the same manner.
As a result, sales to outside customers in the current consolidated fiscal year decreased by ¥3,021 million ($24,691 thousand) in the

Advanced Products, ¥12,369 million ($101,067 thousand) in the Cement Business, and ¥12,336 million ($100,797 thousand) in the Other Businesses, respectively. However, the impact of this change on segment profit is negligible.

(4) Information on net sales, profit or loss, assets, liabilities and other items of each reporting segment
Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)

Millions of yen

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Adjustment amount	Amount in consolidated financial statements
Net sales									
(1) Sales to outside customers	¥ 469,117	¥ 128,162	¥ 774,847	¥ 207,843	¥ 17,028	¥ 214,759	¥ 1,811,759	¥ –	¥ 1,811,759
(2) Intersegment sales and transfers	16,822	4,448	222,324	1,986	842	38,885	285,309	(285,309)	–
Total	¥ 485,939	¥ 132,611	¥ 997,171	¥ 209,830	¥ 17,871	¥ 253,645	¥ 2,097,069	¥ (285,309)	¥ 1,811,759
Segment profit	¥ 16,931	¥ 14,522	¥ 50,230	¥ 108	¥ 3,894	¥ 6,549	¥ 92,236	¥ (16,156)	¥ 76,080
Segment assets	420,365	216,602	882,293	389,977	43,068	97,569	2,049,878	75,154	2,125,032
Segment liabilities	350,099	172,636	682,301	151,658	40,521	89,513	1,486,730	(17,450)	1,469,280
Other items									
Depreciation	¥ 10,869	¥ 11,083	¥ 14,381	¥ 15,526	¥ 1,633	¥ 6,826	¥ 60,320	¥ 3,215	¥ 63,536
Amortization of goodwill	435	1,202	–	2,912	–	2	4,553	–	4,553
Interest income	156	103	320	15	25	269	890	(326)	564
Interest expenses	1,773	1,254	1,430	589	173	924	6,144	(646)	5,498
Share of profit (loss) of entities accounted for using equity method	1,795	–	4,768	(3,291)	1,968	(151)	5,090	(11)	5,078
Investment into entities accounted for using equity method	5,504	–	38,225	22,460	12,059	–	78,250	(145)	78,104
Increase in property, plant and equipment and intangible assets	¥ 20,648	¥ 9,180	¥ 15,322	¥ 18,555	¥ 3,795	¥ 6,815	¥ 74,316	¥ 7,133	¥ 81,450

Thousands of U.S. dollars

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Adjustment amount	Amount in consolidated financial statements
Net sales									
(1) Sales to outside customers	$ 3,832,968	$ 1,047,165	$ 6,330,969	$ 1,698,209	$ 139,134	$ 1,754,716	$ 14,803,164	$ –	$ 14,803,164
(2) Intersegment sales and transfers	137,446	36,347	1,816,522	16,232	6,884	317,719	2,331,153	(2,331,153)	–
Total	$ 3,970,415	$ 1,083,512	$ 8,147,491	$ 1,714,441	$ 146,019	$ 2,072,436	$ 17,134,317	$ (2,331,153)	$ 14,803,164
Segment profit	$ 138,337	$ 118,661	$ 410,412	$ 883	$ 31,821	$ 53,512	$ 753,628	$ (132,004)	$ 621,624
Segment assets	3,434,642	1,769,772	7,208,870	3,186,354	351,896	797,203	16,748,739	614,057	17,362,796
Segment liabilities	2,860,522	1,410,541	5,574,811	1,239,140	331,083	731,380	12,147,480	(142,578)	12,004,902
Other items									
Depreciation	$ 88,806	$ 90,555	$ 117,501	$ 126,864	$ 13,349	$ 55,775	$ 492,853	$ 26,276	$ 519,129
Amortization of goodwill	3,556	9,827	–	23,800	–	23	37,208	–	37,208
Interest income	1,277	841	2,622	127	210	2,199	7,279	(2,669)	4,609
Interest expenses	14,487	10,246	11,686	4,813	1,415	7,555	50,204	(5,282)	44,922
Share of profit (loss) of entities accounted for using equity method	14,671	–	38,963	(26,891)	16,083	(1,234)	41,592	(94)	41,498
Investment into entities accounted for using equity method	44,972	–	312,329	183,514	98,535	–	639,351	(1,190)	638,161
Increase in property, plant and equipment and intangible assets	$ 168,710	$ 75,006	$ 125,190	$ 151,606	$ 31,011	$ 55,690	$ 607,214	$ 58,285	$ 665,500

Notes:

1.Other Businesses include aluminum-related business and engineering-related services.

2.Adjustment amount of segment profit(loss) of ¥(16,156) million ($(132,004) thousand) includes the elimination of intersegment transactions of ¥(962) million ($(7,862) thousand) and corporate expenses of ¥(15,193) million ($(124,141) thousand) which are not distributed to the reporting segments. Corporate expenses consist mainly of general and administrative expenses, basic experiment and research expenses, and financial income and expenses that do not belong to the reporting segments.

3.Adjustment amount of segment assets of ¥75,154 million ($614,057 thousand) includes the elimination of intersegment transactions of ¥(63,829) million ($(521,525) thousand) and corporate assets of ¥138,983 million ($1,135,582 thousand) which are not distributed to the reporting segments. Corporate assets consist mainly of assets of administrative department and assets relating to basic experiment and research that do not belong to the reporting segments.

4.Adjustment amount of segment liabilities of ¥(17,450) million ($(142,578) thousand) includes the elimination of intersegment transactions of ¥(62,202) million ($(508,234) thousand) and corporate liabilities of ¥44,752 million ($365,656 thousand) which are not distributed to the reporting segments. Corporate liabilities consist mainly of liabilities of administrative department and liabilities relating to basic experiment and research that do not belong to the reporting segments.

5.Adjustment amount of increase in property, plant and equipment and intangible assets of ¥7,133 million ($58,285 thousand) is mainly capital expenditure made by DX promotion dept. and the Central Research Institute (subsequently renamed Innovation Center).

6.Segment profit (loss) is adjusted together with ordinary profit in the consolidated statements of profit or loss.

7.In the Environment & Energy Business, Dia Consultants Co., Ltd. was excluded from the scope of consolidated subsidiary due to the sale of shares in July 2021. The amounts of net sales, segment profit, and other items (depreciation and amortization, interest income, interest expenses, and increases in tangible fixed assets and intangible assets) related to this company are included up to the date of deconsolidation.

8.As for the Aluminum-related businesses included in the Other Businesses, the Company transferred the shares, resulting in the exclusion of Universal Can Corp. and one other company from the consolidated subsidiaries and carried out the business succession, resulting in the exclusion of the aluminum rolling and extrusion business of Mitsubishi Aluminum Co., Ltd. and six other companies including MA Packaging Co., Ltd. from the consolidated subsidiaries, and the exclusion of Muang-Max (Thailand) Co., Ltd. from the equity-method affiliates as of March 31, 2022. The amounts of net sales, segment income, and other items (depreciation and amortization, interest income, interest expense, equity in losses of affiliates, and increases in tangible fixed assets and intangible assets) related to the Aluminum Business are included up to the date of deconsolidation.

Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)

Millions of yen

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Adjustment amount	Amount in consolidated financial statements
Net sales									
(1) Sales to outside customers	¥ 344,549	¥ 111,871	¥ 570,276	¥ 213,203	¥ 25,634	¥ 219,585	¥ 1,485,121	¥ –	¥ 1,485,121
(2) Intersegment sales and transfers	12,568	7,522	158,013	2,639	597	47,142	228,484	(228,484)	–
Total	¥ 357,118	¥ 119,393	¥ 728,290	¥ 215,843	¥ 26,231	¥ 266,728	¥ 1,713,605	¥ (228,484)	¥ 1,485,121
Segment profit (Loss)	¥ 6,191	¥ (768)	¥ 32,928	¥ 6,182	¥ 3,121	¥ 9,370	¥ 57,026	¥ (12,498)	¥ 44,527
Segment assets	407,980	197,722	720,724	350,355	48,484	208,100	1,933,368	102,178	2,035,546
Segment liabilities	335,684	167,415	545,882	122,559	44,757	182,863	1,399,164	21,987	1,421,151
Other items									
Depreciation	¥ 10,583	¥ 11,653	¥ 13,815	¥ 14,410	¥ 1,539	¥ 6,901	¥ 58,903	¥ 3,059	¥ 61,962
Amortization of goodwill	406	1,213	–	2,750	–	4	4,374	–	4,374
Interest income	241	99	550	29	25	252	1,198	(354)	843
Interest expenses	1,427	866	1,601	402	134	773	5,205	(788)	4,416
Share of profit (loss) of entities accounted for using equity method	441	–	574	2,282	1,450	(55)	4,692	(0)	4,692
Investment into entities accounted for using equity method	10,233	–	34,389	25,519	10,864	416	81,425	(170)	81,254
Increase in property, plant and equipment and intangible assets	¥ 16,372	¥ 9,510	¥ 18,344	¥ 17,995	¥ 4,754	¥ 10,476	¥ 77,452	¥ 4,066	¥ 81,519

Notes:

1.Other Businesses include aluminum-related business and engineering-related services.

2.Adjustment amount of segment profit(loss) of ¥(12,498) million includes the elimination of intersegment transactions of ¥4 million and corporate expenses of ¥(12,503) million which are not distributed to the reporting segments. Corporate expenses consist mainly of general and administrative expenses, basic experiment and research expenses, and financial income and expenses that do not belong to the reporting segments.

3.Adjustment amount of segment assets of ¥102,178 million includes the elimination of intersegment transactions of ¥(53,463) million and corporate assets of ¥155,642 million which are not distributed to the reporting segments. Corporate assets consist mainly of assets of administrative department and assets relating to basic experiment and research that do not belong to the reporting segments.

4.Adjustment amount of segment liabilities of ¥21,987 million includes the elimination of intersegment transactions of ¥(50,788) million and corporate liabilities of ¥72,775 million which are not distributed to the reporting segments. Corporate liabilities consist mainly of liabilities of administrative department and liabilities relating to basic experiment and research that do not belong to the reporting segments.

5.Adjustment amount of increase in property, plant and equipment and intangible assets of ¥4,066 million is mainly capital expenditure made by the Central Research Institute.

6.Segment profit (loss) is adjusted together with ordinary profit in the consolidated statements of profit or loss.

2. Related information

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(1) Information by product and service

This information is omitted because the same information is disclosed in “Segment information”.

(2) Information by region

(a) Net sales

Millions of yen

Japan	United States	Europe	Asia	Other	Total
¥ 911,829	¥ 166,485	¥ 72,709	¥ 634,325	¥ 26,409	¥ 1,811,759

Thousands of U.S. dollars

Japan	United States	Europe	Asia	Other	Total
$ 7,450,197	$ 1,360,283	$ 594,080	$ 5,182,825	$ 215,777	$ 14,803,164

(b) Property, plant and equipment

Millions of yen					
Japan	United States	Europe	Asia	Other	Total
¥ 466,405	¥ 95,953	¥ 15,660	¥ 49,217	¥ 1,962	¥ 629,199

Thousands of U.S. dollars					
Japan	United States	Europe	Asia	Other	Total
$ 3,810,815	$ 784,000	$ 127,952	$ 402,137	$ 16,034	$ 5,140,940

Notes:

1. Segmentation by country or region is based on geographical proximity.
2. Major countries or regions which belong to segments other than the United States
   - •Europe: Germany, the United Kingdom, Spain, France and Finland
   - •Asia: Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong and Thailand
   - •Other: Australia, Canada and Brazil

(3) Information by major customers

This information is omitted because no single customer accounts for 10% or more in the net sales in the consolidated statements of profit or loss.

Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)

(1) Information by product and service

This section is omitted because the same information is disclosed in “Segment information”.

(2) Information by region

(a) Net sales

Millions of yen					
Japan	United States	Europe	Asia	Other	Total
¥ 810,298	¥ 137,136	¥ 136,305	¥ 384,548	¥ 16,832	¥ 1,485,121

(b) Property, plant and equipment

Millions of yen					
Japan	United States	Europe	Asia	Other	Total
¥ 517,545	¥ 84,873	¥ 11,485	¥ 49,686	¥ 1,811	¥ 665,402

Notes:

1. Segmentation by country or region is based on geographical proximity.
2. Major countries or regions which belong to segments other than the United States
   - •Europe: Germany, the United Kingdom, Spain, France and Finland
   - •Asia: Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong and Thailand
   - •Other: Australia, Canada and Brazil

(3) Information by major customers

This information is omitted because no single customer accounts for 10% or more in the net sales in the consolidated statements of profit or loss.

3. Information about impairment loss on non-current assets by reporting segments

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

	Millions of yen								
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Impairment loss	¥ 2,600	¥ 171	¥ 19	¥ 44	¥ —	¥ 443	¥ 3,278	¥ 608	¥ 3,886

	Thousands of U.S. dollars								
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Impairment loss	$ 21,249	$ 1,398	$ 156	$ 363	$ —	$ 3,623	$ 26,791	$ 4,967	$ 31,758

Note:

Adjustment amount of ¥608 million ($4,967 thousand) of impairment loss consists mainly of impairment loss on common assets.

Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)

	Millions of yen								
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Impairment loss	¥ 1,971	¥ 1,304	¥ 32	¥ 3	¥ 1	¥ 213	¥ 3,526	¥ 6	¥ 3,532

Note:

Adjustment amount of ¥6 million of impairment loss consists mainly of impairment loss on idle assets.

4. Information about amortized and unamortized amounts of goodwill by reporting segments

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

	Millions of yen								
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Amortization during period	¥ 435	¥ 1,202	¥ —	¥ 2,912	¥ —	¥ 2	¥ 4,553	¥ —	¥ 4,553
Unamortized balance at end of period	6,874	3,621	—	18,873	—	2	29,371	—	29,371

	Thousands of U.S. dollars								
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Amortization during period	$ 3,556	$ 9,827	$ —	$ 23,800	$ —	$ 23	$ 37,208	$ —	$ 37,208
Unamortized balance at end of period	56,164	29,592	—	154,208	—	20	239,986	—	239,986

Amortized and unamortized amounts of negative goodwill resulted from business combination, etc. carried out before April 1, 2010 are as follows:

	Millions of yen								
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Amortization during period	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance at end of period	2,221	—	—	—	—	—	2,221	—	2,221

	Thousands of U.S. dollars								
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Amortization during period	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Unamortized balance at end of period	18,149	—	—	—	—	—	18,149	—	18,149

Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)

	Millions of yen								
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Amortization during period	¥ 406	¥ 1,213	¥ —	¥ 2,750	¥ —	¥ 4	¥ 4,374	¥ —	¥ 4,374
Unamortized balance at end of period	6,912	4,809	—	19,943	—	5	31,670	—	31,670

Amortized and unamortized amounts of negative goodwill resulted from business combination, etc. carried out before April 1, 2010 are as follows:

	Millions of yen								
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Amortization during period	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance at end of period	2,221	—	—	—	—	—	2,221	—	2,221

Note 22 Related Parties Information

1. Transactions with related parties
Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
There are no significant transactions with related parties to be disclosed.

Previous fiscal year (from April 1, 2020 to March 31, 2021)

Type	Name	Location	Capital or contributions	Nature of business	Voting rights holding or held	Relationship	Transaction	Transaction Amount (Millions of yen)	Account title	Balance as of March 31 (Millions of yen)
Affiliate	Mantoverde S.A.	Providencia, Santiago, Chile	$518,460 thousand	Mining	Holding directly 30.0%	Procurement of copper concentrate	Underwriting of capital increase (*)	¥ 29,635	—	¥ —

(*) The Company underwrote capital increase by Mantoverde S.A.

2. Notes on parent company and significant affiliates
Condensed financial information of significant affiliates

Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
There is no applicable information about significant affiliates to be disclosed.

Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)
There is no applicable information about significant affiliates to be disclosed.

Note 23 Per Share Information

	Yen		U.S. dollar
	2022	2021	2022
Net assets per share	¥ 4,476.52	¥ 4,173.14	$ 36.58
Profit per share	¥ 344.56	¥ 186.71	$ 2.82

Notes:
1. For the purpose of calculating net assets per share, shares of the Company held in BIP Trust are included in the treasury shares excluded from the total number of the common shares outstanding at the end of consolidated fiscal year. The number of treasury shares at the end of the current consolidated fiscal year is 848 thousand, which included 274 thousand shares of the Company held by BIP Trust. In addition, the number of treasury shares at the end of the previous consolidated fiscal year was 836 thousand, which included 274 thousand shares of the Company held by BIP Trust.
2. Diluted profit per share for the current consolidated fiscal year is not provided because there is no dilutive share.
3. Profit per share is calculated based on the following items:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Profit per share			
Profit attributable to owners of parent	¥ 45,015	¥ 24,407	$ 367,801
Amount not attributable to common shareholders	—	—	—
Profit attributable to common shareholders of owners of parent	¥ 45,015	¥ 24,407	$ 367,801

	Thousand shares	
	2022	2021
Average number of shares issued during period	130,646	130,723

Note:
For the purpose of calculating Profit per share, shares of the Company held in BIP Trust are included in the treasury shares excluded from the weighted-average common shares outstanding during consolidated fiscal year. The weighted-average treasury shares during the current consolidated fiscal year were 843 thousand, which included 274 thousand shares of the Company held by BIP Trust. In addition. the weighted-average treasury shares during the previous consolidated fiscal year were 765 thousand, which included 211 thousand shares of the Company held by BIP Trust.

Note 24 Significant Subsequent Events

Formation of a jointly controlled entity upon integration of cement business, etc
On May 14, 2021, the Company entered into an absorption-type company split agreement with the integration preparatory company (“C Integration Arrangement, Ltd.”), which is the current Mitsubishi UBE Cement Corporation (hereinafter referred to as “Mitsubishi UBE Cement”), whereby the Company’s cement business and related businesses, etc. will be transferred to Mitsubishi UBE Cement, which was established through a 50-50 joint venture with Ube Industries, Ltd. (which is the current UBE Corporation, hereinafter referred to as “UBE Corp”). The contract for the absorption split was approved at the 96th ordinary general meeting of shareholders on June 24, 2021.

Pursuant to this approval, the subject business of the Company was transferred to Mitsubishi UBE Cement on April 1, 2022.

Mitsubishi UBE Cement entered into an absorption-type demerger agreement with UBE Corp on May 14, 2021, and took over UBE Corp’s subject business on April 1, 2022. On May 14, 2021, Mitsubishi UBE Cement entered into an absorption-type merger agreement with Ube-Mitsubishi Cement Corporation (hereinafter referred to as “Ube-Mitsubishi Cement”), making Mitsubishi UBE Cement the surviving company and Ube-Mitsubishi Cement, the dissolving company, and the two companies merged on April 1, 2022.

1. Overview of the transaction
(1) Names and outlines of businesses subject to the transaction
Cement business, Ready-mixed concrete business, Coal business, Building materials, mineral products business, Civil engineering and construction business, etc.

(2) Date of the business combination
April 1, 2022

(3) Legal form of the business combination
Absorption-type company split with the Company as splitting company and Mitsubishi UBE Cement as the succeeding company

(4) Name of the company after the integration
Mitsubishi UBE Cement Corporation

(5) Other matters concerning overview of the transaction
Since the establishment of Ube-Mitsubishi Cement in 1998 through a 50-50 joint venture, the Company and UBE Corp have integrated the cement sales and logistics functions of the two companies and have achieved certain benefits, including cost reductions in distribution and in-house transaction. While the business situations surrounding the cement business in Japan are currently undergoing significant changes, including slowing demand and dramatic energy price fluctuation, it is necessary for the Company and UBE Corp to establish a new framework for their cement businesses that develops the existing relationship, in order to archive the future growth of their cement businesses. Therefore, the two companies concluded that it is best to integrate their cement and relevant businesses by combining all of their strengths of these businesses. Such strengths include the Company’s (1) Kyushu Plant, which boasts the largest production capacity in Japan, (2) Higashitani Mine, which has abundant limestone resources, and (3) highly competitive cement and ready-mixed concrete businesses in the United States, as well as UBE Corp’s (1) infrastructure, such as large port facilities in the Ube area and coal centers, and (2) nationwide ready-mixed concrete production and sales networks, and (3) Ube Materials Industries, Ltd.’s inorganic materials business.

(6) The reason for this transaction was considered to be a formation of a jointly controlled entity
For the formation of a jointly controlled entity, the Company and UBE Corp signed a shareholders’ agreement to both companies jointly control Mitsubishi UBE Cement, and all consideration paid for the business combination were shares with voting rights. Also, no certain evidence exists that there is other controlling relationship. Therefore, the Company concluded that this business combination is the formation of a jointly controlled entity.

2. Overview of accounting treatment
The integration will be handled as the formation of a jointly controlled entity in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, revised on January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Statement No. 10, revised on January 16, 2019).

Consolidated Supplemental Schedules

1. Schedule of bonds payable

Company	Description	Date of Issuance	Balance as of March 31, 2021 (Millions of yen)	Balance as of March 31, 2021 (Thousands of US dollars)	Balance as of March 31, 2022 (Millions of yen)	Balance as of March 31, 2022 (Thousands of US dollars)	Interest rate (%)	Collateral	Maturity
	Straight bonds								
Mitsubishi Materials Corporation	30th unsecured bonds	December 6, 2016	¥ (20,000) ¥ 20,000	$ (163,412) $ 163,412	¥ —	$ —	0.200	None	December 6, 2021
Mitsubishi Materials Corporation	31st unsecured bonds	December 6, 2016	10,000	81,706	10,000	81,706	0.470	None	December 4, 2026
Mitsubishi Materials Corporation	32nd unsecured bonds	August 30, 2017	10,000	81,706	(10,000) 10,000	(81,706) 81,706	0.160	None	August 30, 2022
Mitsubishi Materials Corporation	33rd unsecured bonds	August 30, 2017	10,000	81,706	10,000	81,706	0.380	None	August 30, 2027
Mitsubishi Materials Corporation	34th unsecured bonds	September 5, 2019	10,000	81,706	10,000	81,706	0.150	None	September 5, 2024
Mitsubishi Materials Corporation	35th unsecured bonds	June 7, 2021	—	—	20,000	163,412	0.110	None	June 5, 2026
Mitsubishi Materials Corporation	36th unsecured bonds	June 7, 2021	—	—	10,000	81,706	0.280	None	June 7, 2028
Mitsubishi Materials Corporation	37th unsecured bonds	June 7, 2021	—	—	10,000	81,706	0.360	None	June 6, 2031
Total			¥ (20,000) ¥ 60,000	$ (163,412) $ 490,236	¥ (10,000) ¥ 80,000	$ (81,706) $ 653,648	—	—	—

Notes:

1. The amounts in parentheses presented under "Balance as of March 31, 2022 " represent the amounts scheduled to be redeemed within 1 year.
2. The annually scheduled redemption amount within 5 years after the consolidated closing date is as follows:

Millions of yen				
Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years
¥ 10,000	¥ —	¥ 10,000	¥ —	¥ 30,000

Thousands of U.S. dollars				
Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years
$ 81,706	$ —	$ 81,706	$ —	$ 245,118

2. Schedule of borrowings

Company	Balance as of March 31, 2021 (Millions of yen)	Balance as of March 31, 2021 (Thousands of US dollars)	Balance as of March 31, 2022 (Millions of yen)	Balance as of March 31, 2022 (Thousands of US dollars)	Average interest rate (%)	Maturity
Short -term borrowings	¥ 143,717	$ 1,328,818	¥ 136,632	$ 1,116,372	0.5	—
Current portion of long-term borrowings	31,969	396,759	34,671	283,286	0.5	—
Current portion of lease obligations	2,117	19,558	2,342	19,142	—	—
Long-term borrowings (excluding current portion)	353,795	2,227,248	327,405	2,675,101	0.8	2023 to 2033
Lease obligations (excluding current portion)	17,132	161,435	18,433	150,614	—	2023 to 2050
Other interest bearing liabilities						
Current portion of commercial papers	40,000	451,630	30,000	245,118	(0.0)	—
Employees' saving deposit	9,745	84,604	8,018	65,517	0.5	—
Guarantee deposits received	2,840	20,352	3,081	25,178	0.6	—
Total	¥ 601,319	$ 4,690,408	¥ 560,586	$ 4,580,331	—	—

Notes:

1. The average interest rate represents the weighted-average rate applicable to the year-end balance.
2. The average interest rate of lease obligations is not presented because the lease obligations are recorded on the consolidated balance sheets as an amount before deduction of interest equivalents from the total lease obligations.
3. Total amount of scheduled repayment of long-term borrowings, lease obligations and other interest-bearing debts (excluding those to be repaid within 1 year) within 5 years after the consolidated closing date is as follows:

	Millions of yen			
Category	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years
Long-term borrowings	¥ 45,438	¥ 55,537	¥ 134,293	¥ 31,503
Lease obligations	¥ 1,925	¥ 1,430	¥ 1,245	¥ 1,220

	Thousands of U.S. dollars			
Category	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years
Long-term borrowings	$ 371,259	$ 453,778	$ 1,097,254	$ 257,404
Lease obligations	$ 15,729	$ 11,691	$ 10,178	$ 9,970

3. Schedule of asset retirement obligation

Schedule of asset retirement obligation is omitted pursuant to the provision of Article 92-2 of the Regulation on Consolidated Financial Statements because the amounts of the asset retirement obligation at the beginning and end of the current consolidated fiscal year are not more than 1% of the total amount of the liabilities and net assets at the beginning and end of the current consolidated fiscal year.

Other

Quarterly financial information etc. for the current consolidated fiscal year

	Millions of yen			
Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	¥ 427,685	¥ 860,026	¥ 1,314,025	¥ 1,811,759
Profit before income taxes	26,145	57,987	93,799	76,616
Profit attributable to owners of parent	16,913	38,181	61,472	45,015

	Yen			
Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Profit per share	¥ 129.46	¥ 292.24	¥ 470.52	¥ 344.56

	Yen			
Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Profit (loss) per share	¥ 129.46	¥ 162.79	¥ 178.28	¥ (125.97)

	Thousand s of U.S. dollars			
Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	$ 3,494,450	$ 7,026,935	$ 10,736,380	$ 14,803,164
Profit before income taxes	213,626	473,789	766,398	625,999
Profit attributable to owners of parent	138,196	311,966	502,269	367,801

	U.S. dollar			
Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Profit per share	$ 1.05	$ 2.38	$ 3.84	$ 2.81

	U.S. dollar			
Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Profit (loss) per share	$ 1.05	$ 1.33	$ 1.45	$ (1.02)

Independent Auditor's Report on the Consolidated Financial Statements and Internal Control Over Financial Reporting

To the Board of Directors of Mitsubishi Materials Corporation:

June 28, 2022

To the Board of Directors of Mitsubishi Materials Corporation:

KPMG AZSA LLC
Tokyo Office, Japan

Takuji Kanai
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Hiroshi Tani
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takeharu Kirikae
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Mitsubishi Materials Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section in the company's Annual Securities Report, which comprise the consolidated balance sheet as at March 31, 2022 and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies, other notes and the consolidated supplemental schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As described in Note 24, "Significant Subsequent Events, Formation of a jointly controlled entity upon integration of cement business, etc." to the consolidated financial statements, the Company transferred its cement business and related businesses to Mitsubishi UBE Cement Corporation on April 1, 2022.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of the reasonableness of the estimated value in use related to the valuation of the goodwill recognized in Luvata Oy	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 2, "Significant Accounting Estimates" to the consolidated financial statements, the Group reported goodwill of ¥29,371 million in the consolidated balance sheet for the current fiscal year. Included therein was the goodwill of ¥6,874 million recognized in Luvata Oy, a consolidated subsidiary included in the Advanced Products segment, representing 0.3% of total assets in the consolidated financial statements. The goodwill arose when the Company acquired the equity interest in the Luvata Special Products business (hereinafter referred to as the "Luvata Group"), which is centered around Luvata Pori Oy, through MMC Copper Products Oy (subsequently renamed Luvata Oy), a consolidated subsidiary of the Company. Luvata Oy applies International Financial Reporting Standards (IFRS) in preparing its financial statements. A group of cash-generating units, including goodwill, is tested for impairment annually in addition to when there is an indication of impairment. If the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the reduction in the carrying amount is recognized as an impairment loss. The recoverable amount is determined as the higher of either the value in use or the fair value less costs of disposal. As a result of the impairment test performed in the current fiscal year, Luvata Oy determined that the recoverable amount of the group of cash-generating units, including goodwill arising from the acquisition of the equity interest in the Luvata Group, exceeded its carrying amount, and therefore the recognition of an impairment loss was not required. Luvata Oy used the value in use as the recoverable	In order to assess the reasonableness of the estimated value in use related to the valuation of the goodwill recognized in Luvata Oy, we requested the component auditor of Luvata Oy to perform an audit. Then we evaluated the report of the component auditor to conclude on whether sufficient and appropriate audit evidence was obtained from the following procedures among others: **(1) Assessment of estimation uncertainty** Assessment of estimation uncertainty for the current fiscal year by comparing key assumptions adopted by management in the previous fiscal year to actual results in the current fiscal year. **(2) Internal control testing** Test of the design and operating effectiveness of certain internal controls relevant to the valuation of goodwill, particularly through obtaining an understanding of the process of preparing the medium-term management plan, which served as the basis for estimating future cash flows, with a focus on controls over management's approval of the plan. **(3) Assessment of the reasonableness of the estimated value in use** Assessment of the reasonableness of the estimated value in use by performing the following procedures: ● assessment of the consistency of the growth rates of the automobile, MRI and other relevant markets underlying the medium-term

amount for impairment testing on goodwill. The future cash flows used to measure the value in use were estimated based on the Luvata Group's medium-term management plan prepared by management. Embedded in the medium-term management plan were certain key assumptions such as the future growth rates of the automobile, MRI and other markets targeted by the Luvata Group's products, the projected increase in market share through sales expansion measures, and sales prices regarding the negotiations with customers. Uncertainty about the prospects of the Luvata Group's business performance has increased due to reduction in production level in the automobile industry caused by the shortage of semiconductors, and soaring logistics costs. Accordingly, management's judgment regarding these factors had a significant impact on the calculation of the value in use. In addition, estimating the discount rate used to measure the value in use required a high degree of valuation expertise in selecting the calculation methods and input data. We, therefore, determined that our assessment of the reasonableness of the estimated value in use related to the valuation of the goodwill recognized in Luvata Oy was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	management plan with data published by external organizations; ● assessment of the consistency of management's forecasts regarding future development of the electric vehicle market where the Company plans to enter into, which was the premise for the plan to increase market share, with forecast reports published by external organizations; ● inspection of contracts and other documents that showed the status of negotiations with customers; and ● performance of the following procedures by involving a valuation specialist within the network firms of Luvata Oy's auditor who assisted in the evaluation of the discount rate: - assessment of the appropriateness of the calculation methods used to estimate the discount rate based on subject matters relevant to valuation and the requirements of accounting standards; and - comparison of the discount rate independently calculated by the valuation specialist with the discount rate adopted by management.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit committee is responsible for overseeing the directors' and officers' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit committee is responsible for overseeing the directors' and officers' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Internal Control Report

Opinion

We also have audited the accompanying internal control report of Mitsubishi Materials Corporation as at March 31, 2022, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2022, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit Committee or the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The audit committee is responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Audit Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.

Major Consolidated Subsidiaries and Affiliates (As of March 31, 2022)

Major Consolidated Subsidiaries

	Line of Business	Percentage of Ownership (including indirect ownership)
Advanced Products		
Mitsubishi Cable Industries, Ltd.	Production and sales of sealing products	100.0%
Luvata Oy (*1)	Business administration of subsidiaries that produce and sell processed copper products	100.0%
Metalworking Solutions Business		
MOLDINO Tool Engineering, Ltd.	Production and sales of cemented carbide tools	100.0%
Metals Business		
Onahama Smelting & Refining Co., Ltd.	Smelting and refining on consignment of copper concentrate	55.7%
PT. Smelting	Production and sales of copper cathodes in Indonesia	60.5%
Cement Business (*2)		
MCC Development Corp.	Investment in ready-mixed concrete businesses in the U.S.	70.0%
Mitsubishi Cement Corp.	Production and sales of cement in the south-west area of the U.S.	67.0%
Robertson's Ready Mix, Ltd.	Production and sales of ready-mixed concrete and aggregates in the south-west area of the U.S.	100.0%
Other Businesses		
Materials' Finance Co., Ltd.	Financing the Company, its subsidiaries and affiliates	100.0%
Mitsubishi Materials Techno Corp.	Contracting for facility construction, civil engineering and construction; production and sales of industrial machinery	100.0%
Mitsubishi Materials Trading Corp.	Sales of the Company's products and other non-ferrous metal products	100.0%

Notes:

1. Luvata Oy changed its fiscal year end from December 31 to March 31 effective from the current fiscal year.
2. Effective April 1, 2022, the Company's cement business and its related businesses, etc. were subject to an absorption-type demerger with Mitsubishi UBE Cement Corp. as the successor company.
3. As of March 31, 2022, the Company transferred all shares of Universal Can Corp. held by the Company to Showa Aluminum Can Corp. As of the same date, Mitsubishi Aluminum Co., Ltd. conducted an absorption-type demerger of its Aluminum rolling and extrusion business, with Showa Aluminum Can Corp. as the successor company.

Major Affiliates

	Line of Business	Percentage of Ownership (including indirect ownership)
Metals Business		
Mantoverde S.A.	Operation of the Mantoverde copper mine	30.0%
Cement Business (*1)		
NM Cement Co., Ltd.	Investment in Nghi Son Cement Corp. (Vietnam)	30.0%
P.S. Mitsubishi Construction Co., Ltd.	Pre-stressed concrete works, civil engineering and sales of concrete products	33.9%
Ube-Mitsubishi Cement Corp. (*2)	Sales of cement and cement-related products	50.0%
Environment & Energy Businesses		
LM Sun Power Co., Ltd.	Operation of solar power generation	50.0%
Green Cycle Corporation	Recycling of home appliances and other products	16.4%
Yuzawa Geothermal Power Corp.	Operation of geothermal power generation	30.0%

Notes:

1. Effective April 1, 2022, the Company's Cement business and its related businesses, were subject to an absorption-type demerger with Mitsubishi UBE Cement Corp. as the successor company.
2. Ube-Mitsubishi Cement Corp. was merged into Mitsubishi UBE Cement Corp. on April 1, 2022.
3. Effective March 31, 2022, the Company transferred all shares held by the Company of Kobelco & Materials Copper Tube Co., Ltd. to M Cap No. 7, Co., Ltd.